Daily Report

Latin America

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FBIS-LAT-95-157 *15 August 1995*

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Cuba

Alarcon Criticizes Helms-Burton Bill at Havana Meeting

FL1408172395 Havana Radio Rebelde Network in Spanish 1155 GMT 14 Aug 95

[From the "Doing Radio" program]

[FBIS Translated Text] In a special address during a work meeting of Havana's People's Government delegates, Ricardo Alarcon de Quesada, president of the National Assembly of the People's Government, broached several aspects of the Helms-Burton bill and the stand which our people should uphold before such collusion.

[Begin Alarcon recording] We are faced with an adversary sometimes bent on blind stubbornness, brutality, and vulgarity, and others on finesse and smoothness; yet neither method [words indistinct] the goal remains exactly the same: To subjugate this country, [words indistinct] ultimately put an end to the Cuban nation. The response of the Cuban people has to be that there will never be a solution here, that there will never be an understanding [arreglo] except on the basis of unconditional respect for our independence and sovereignty. [end recording]

Alarcon also spoke about the bill's prospects to become law.

[Begin Alarcon recording] We have the privilege of defending our people, of working on behalf of our people. It is our duty to do everything in our power so that our people become victorious, continue producing, resisting, so that no one ever can rend our future: independent, free, and socialist. [end recording]

Fidel Castro Reminisces on Lifetime Achievements

FL1408191395 Havana Cuba Vision Network in Spanish 0030 GMT 14 Aug 95

[Remarks by President Fidel Castro; place and date not given: "Fifty Years in the Business" — recorded]

[FBIS Translated Text] I was not born in a hospital: There were no hospitals back then, not even for latifundista masters. My father was a latifundista. He had a lot of land. He was not the son of a latifundista but worked his way up and saved his money. Land was cheap. I was born on a large estate. However, not even on a large estate...[changes thought] My mother gave birth to her seven kids at home — not once in a hospital — with the help of a midwife. The latifundium masters did not even have medical services. I grew up in the countryside, with the only hospital about four or five km away. That is how we lived. I was not born poor. I never starved...[changes thought] I did at other times but for other reasons. I have told that story before, and it is not a story of poverty.

I liked sports as a student, even before entering college. I liked hiking and sports. I participated right up until I was sent to Catholic school, first to Hermanos de la Salle and then the Jesuits, until I completed my studies. I was on my own. I had to make my own way, as they say today. I had to be critical of myself since I was not lucky enough to have mentors. I had to become my own mentor and make my own mistakes.

I became a revolutionary, perhaps because I inherited a gene for politics, because I had a rebellious nature, and because we lived in a very unfair society. I cannot say that I was made a revolutionary but made myself a revolutionary as a result of the realities I experienced.

I began relatively early: I was 18 or 19 years old. A lot of time has passed since then. I have been in this business for about 50 years. I had already been in jail and in exile by the time I was 28. Many things happened by then. I was 26 when the attack on the Moncada Barracks took place. I was not even 22 at the time of the incidents in Bogota. I was barely 21 at the time of the Cayo Confite expedition. I was barely 20 when I faced great risks in my struggle against the government in turn. We had yet to experience the Batista dictatorship, but as students we were already aware of the corruption and theft.

I entered the political arena while still a student. As a student, I encountered the ideas of Marx, Engels, and Lenin. I was already familiar with Marti's ideas. These ideas were not contained in the Holy Scriptures, which is what the Bible was called and which we studied at every grade. The Bible contained other ideas and ethical values which I admire. However, it was in college that I encountered revolutionary literature and it became an all-consuming fire.

I cannot compare today's young people with those of my youth. That youth had the virtues and qualities our people have always had. However, they did not have the revolutionary and political awareness of today's youth. The youth then was fragmented, was engrossed in many political trends of that capitalist, individualist, and selfish society in which we lived, a society rank with deception and demagogy. Yet, it earned great merit when it proved that it could still have a clear vision despite all that.

The youth today is united, schooled, trained far so much, and is more and more committed and experienced.

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I am happy to have had the privilege of becoming a revolutionary — that is, of all the things that have happened in my life, my greatest source of pride.

[video shows medium shots of Castro — dressed in his traditional military uniform — seated in front of a wall covered with wood paneling, interspersed with file footage of Castro at different stages in his life; audio carries piano music as a backdrop to Castro's remarks throughout; credits at the end of the program confirm Castro's remarks prepared by the Cuban Council of State's Office of Publications]

Vice Foreign Minister Views Caribbean States Summit

PA1508043695 Havana Radio Rebelde Network in Spanish 1700 GMT 11 Aug 95

[Report by Zenaida Gonzalez from the "National Radio News" newscast]

[FBIS Translated Text] Next week Trinidad and Tobago will host the first annual meeting of the Association of Caribbean States. According to Cuban Vice Foreign Minister Jorge Bolanos, for the first time Caribbean countries will have the opportunity to cooperate and trade with a view to the future of the region.

[Begin Bolanos recording] The first aim is to try to confront a series of problems, including commercial, transportation, and tourism problems, which are common to all countries. To do this, all countries convening this meeting or launching this initiative must have had political will. That is why both things interact with each other and become mixed and there is no contradiction.

The very fact the heads of state will be there shows this is a political decision. [end recording]

This is a summit convened by the Caribbean countries themselves to discuss common interests of the nations of the region.

[Begin Bolanos recording] This is another very important aspect. For the first time, countries of the subregion meet and convene a meeting without the auspices of foreign and mighty powers that have dictated the fate of these countries throughout history. When you look at history and see that there have been over 50 interventions in the Caribbean with one single protagonist, you realize this is an important gesture, a gesture of great political dimension and projection. [end recording]

Government Denies Plan To Refuse Entry to Restano

PA1408175495 Havana Radio Havana Cuba in Spanish 0000 GMT 13 Aug 95

[From the "Evening Information Review" newscast]

[FBIS Translated Text] The Cuban Government has denied the existence of a plan to keep Cuban-born counterrevolutionary Yndamiro Restano, who was released in June through the mediation of former French President Francois Mitterrand's wife Danielle, away from Cuba.

Cuban Foreign Ministry spokesman Rafael Dausa, speaking to the German news agency DPA, said that Restano was released unconditionally and that Cuban authorities will not at all object to the departure of Restano's wife for France. According to a far-right Miami radio station, Restano said the Cuban Government intends to keep him away from Cuba. Restano now lives in Caracas.

Politburo's Machado Tours Sugar Mills in Camaguey

PA1508012895 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 10 Aug 95

[Report by Ernesto Pantaleon Medina from the "NTV Newscast"]

[FBIS Translated Text] Politburo member Jose Ramon Machado Ventura has ended his tour of sugarcane mills and areas in Camaguey.

[Medina] Southern Camaguey is decisive for the province's sugarcane harvest strategies. In this area, Machado toured the Panama Mill, in the Vertientes municipality, where he showed interest in the heavy plan of repairs and investments in this industry.

This sugar mill has presented a chain of inefficient sugarcane harvests, as far as the manufacturing sector is concerned. This situation should be largely resolved starting this year.

Also in the Vertientes municipality, at the (?Pajones Integrated Farm), Machado witnessed the task of recovering sugarcane. In the last harvest, this group, the yields of which were below 30,000 arrobas per caballeria, supplied 2.6 million arrobas to the industry. For the next harvest, it plans to average 40,000 arrobas per caballeria. Meanwhile, the integrated farm's agricultural machinery is being maintained and repaired.

In Camaguey, the Revolution has built two sugar mills. The political bureau member for southern Camaguey toured one of them, the Suarez Gallon. He learned about the repairs of the sugar mill and the new motivations

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stemming from a larger cohesion between the working group and the directorate.

As for the Camaguey sugarcane producers' replies to the statements uttered during the Political Bureau's recent visit, Machado said:

[Begin Machado recording] It is true; it is difficult to make changes overnight, because there are objective factors and because there also are many subjective factors, which are the ones on which we have to insist: discipline, organization, certain measures, working with men. We can improve all of these factors. Sometimes it is undeniable that certain resources are needed and [word indistinct] material. However, we see results within this framework.

Now, we really have to wait; this is a test. This phase in the beginning of the development of the sugarcane harvest will tell us, because in a province like ours, the harvest puts everything in the spotlight. That is, not only sugarcane producers are on the spotlight, everything here is in terms of the harvest: how big it is and the major delays and limitations it has had. This sector has been adversely affected, and we are trying to help it move ahead. That is how we see it.

Therefore, this visit is proof of what is being done. In general terms, we will be able to see where the harvest begins. Then, we hope we will have better long-term results [end recording]

Workers Needed to Boost Sugar Production

PA1508031795 Havana Radio Havana Cuba in Spanish 1407 GMT 14 Aug 95

[FBIS Translated Text] Havana, 14 Aug (PL) — The local media today reported that, according to an analysis made at a meeting presided by President Fidel Castro, approximately 40,000 workers will be needed to increase sugar production in Cuba.

In its usual Monday editorial, TRABAJADORES remarked on the 4 August national meeting held to evaluate the preparations for the next sugarcane harvest, which is considered decisive, following three years of decline in this area.

After describing as positive the results of the sugarcane chores during the first half of the year, increasing the labor force in the basic cooperative production units (UBPC's) — units which took state land in usufruct — was considered necessary to accomplish a better sugarcane harvest next year.

In search of better financing for the upcoming sugarcane struggle, the state acquired short-term credits abroad after sugar production fell from 7 million in 1989 to less than 4 million this year [as published].

The daily indicated that despite the addition of more than 25,000 people in the last few months into the UBPC's, 40,000 more are required to achieve an effective production phase in 1995.

TRABAJADORES compared the reaction of the Caribbean nation to the announcement of this labor shortage with what is going on in other countries of the world, where a proposal of this nature would unleash a struggle among millions of unemployed people to occupy these vacant posts.

In order to promote these vacant posts in the local agriculture sector, the sugarcane workers unions embarked in a process of discussions on this issue in each UBPC along with the labor, social security, and sugar ministries, as well as with local government organizations.

The determination to boost interest on this type of work is supported by policies of incentives, including a housing program and stores full of scarce products for agricultural workers, the union newspaper also stated.

In addition, it pointed to the need to "eliminate or reduce to the minimum possible the expensive mobilizations" of manual sugarcane cutters and the labor force used during critical phases of the sowing and growing of this graminous plant.

In Cuba, there are currently 1,500 sugar production cooperatives using approximately 1.7 million hectares of the country's best land.

Alfredo Jordan Comments on Coffee Agriculture

FL1508021395 Havana Radio Rebelde Network in Spanish 2300 GMT 14 Aug 95

[Report by Diosdado Maso from the "Exclusive" program]

[FBIS Translated Text] I have just returned from the national coffee plenum held in Maisi Municipality, Guantanamo. I must say that the plenum, and even more so, the intense information exchange between coffee producers from all over the nation and the harvesters from Maisi, as well as the input of Agriculture Minister Alfredo Jordan and the coffee growers, was truly the most useful session I have attended in the last few years. The concept that a worker linked with his area zealously tends his coffee plantation and strives to harvest his coffee with a work force of his own choosing, with the same level of interest as if they were the owners, was firmly supported by Jordan.

[Begin Jordan recording] When coffee plantation workers are unaware of this, it not only effects the quality

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of the harvest, but destroys the future harvest because the plants are broken and damaged and the coffee destroyed. I say that as long as we mobilize workers, we will not have quality in agriculture. I believe that hundreds of cans, thousands of cans are lost simply by not employing workers who understand coffee cultivation. [end recording]

Jordan clearly stated that he is not opposed to mobilizing revolutionaries when necessary, however. His statement is very important.

[Begin recording] Mobilization is a necessary evil. However, we must succeed in linking workers with their areas so that the worker in his area uses his family and the people he respects, the people he wants, to harvest his coffee. [end recording]

Coffee should be grown by small collectives rather than large farms, and experienced workers are required for harvesting. According to farming experts, approximately 40 percent of the coffee we produce is lost on the plantation. If we recall that a ton of coffee currently sells for $3,500, it is highly worthwhile to achieve this national coffee plenum's goal of losing not one single bean in this harvest.

Blockade's Effect on Juragua Nuclear Plant

FL1408211695 Havana Radio Rebelde Network in Spanish 1600 GMT 11 Aug 95

["Straight Talk" program with guest Jorge Pettinau and host Osvaldo Rodriguez]

[FBIS Translated Text] [Rodriguez] Today's issue is the U.S. blockade's effect on the Juragua nuclear plant. We will discuss this issue with Jorge Pettinau, a correspondent specializing in nuclear issues. As we promised yesterday, we are going to discuss the effects of the U.S. blockade on the nuclear plant. I recall something you brought up yesterday — you left it lingering in the air — that the first to be blockaded are U.S. businessmen from the nuclear industry sector. I would like to ask you why you think this is so.

[Pettinau] Good afternoon. Cuba is only 90 miles from the United States. The nuclear industry sector is very powerful in the United States and needs markets. After the Three-Mile-Island accident in the United States in 1979 ...

[Rodriguez] Was it a nuclear accident?

[Pettinau] Yes, it was a nuclear accident, but with no consequences because the plant's retaining structure worked correctly. Everything worked correctly, not like Chernobyl. However, the interest in building new nuclear plants declined. There has been a decline in requests for licenses to build new nuclear plants.

[Rodriguez] In the United States?

[Pettinau] Yes, in the past few years. They already have 112 reactors throughout the country. This therefore motivates the nuclear industries to seek markets abroad. There is also a decline in demand throughout Europe. However, developing countries in Asia are demanding this technology. That entire area of the Pacific, the developing Asian countries — the Asian tiger — are growing quickly, among other reasons because they are extensively introducing nuclear energy. They have a possible market there, but they also need markets in Latin America, or any other part of the world. A favorable market could be Cuba, which is only 90 miles away, and in which there is an existing nuclear plant, 90 percent of which is already built. Perhaps any of these U.S. companies would like to become the third partner, which is being sought by Cuba and Russia, but they cannot do this because of the blockade against Cuba. That is why I say that U.S. businessmen are the first to be blockaded.

[Rodriguez] Everyone wonders — when we talk about a third partner and creating a joint enterprise — what the role of the third partner would be.

[Pettinau] The comrades from the Basic Industry Ministry have explained, ...[pauses] they are the plant's owners and the ones conducting the negotiations ... [changes thought] Let us say that the feasibility study has been concluded and someone has decided to invest. A joint enterprise would be created, based on each partner's investment. That joint enterprise would be the plant's owner. They would produce and sell electric energy to Cuba...

[Rodriguez, interrupting] To the national electric service.

[Pettinau] Yes, and they would be paid in foreign currency; their benefit would therefore be in a strong currency.

[Rodriguez] Does Cuba have foreign currency with which to pay the foreign partners? Cuba does not charge for electricity in foreign currency.

[Pettinau] The state has, ...[pauses] will have the solutions. I would not like to extend myself on this issue. However, the state already has the solution.

[Rodriguez] Could that solution be the result of having to buy less petroleum?

[Pettinau] Not entirely — I am not that optimistic — but in any case, Cuba also has a large percentage of

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the plant's shares. On the other hand, there are tourist centers that pay for electricity in foreign currency.

[Rodriguez] Today's issue is the effects of the U.S. blockade on the Juragua nuclear plant, its construction, and even its operation. This is the third "Straight Talk" focusing on this issue, and Pettinau has agreed to speak with us. I think that when we talk about the blockade and its effects, we should mention the ongoing negotiations to resume Juragua's construction. I think that is what initiated the hassle from Cuba's enemies, the U.S. Extreme Right, which we mentioned yesterday.

[Pettinau] Juragua's feasibility study, which is being conducted by European and Latin American enterprises for the Basic Industry Ministry, is in its final stage. The study must be completed to affirm Juragua's complete technical and economic feasibility in the first place. Later on, all enterprises that might be interested in investing will be called to bid, and businessmen from different countries might become involved in the project.

[Rodriguez] There have been reports in Cuban and foreign newspapers about specific enterprises that will invest in Juragua. Were they rumors, premature news, or what?

[Pettinau] Many people worldwide are interested in Juragua, and have perhaps told the press about their hopes of being included in the project in the future. Some newspapers therefore began to speculate. There have also been reports that went so far as to name specific people involved in the project, and other details.

I am optimistic that the feasibility study will render positive results to greatly benefit Cuba, but I am also objective and realize that some things take time; they do not happen overnight. We cannot fool ourselves into thinking that negotiations will begin and end in a day or two because they will take time.

[Rodriguez] It seems that these press releases have been seeking political impact. You stated that things will not happen suddenly. When do you think Juragua's reconstruction will begin? When will it begin to produce electricity?

[Pettinau] Rodrigo Ortiz, vice Basic Industry minister, stated during an interview published in GRANMA newspaper — which I recommend our listeners read — that he believed the project might be completed approximately three years after the feasibility study is completed, when an agreement has been reached with a possible third partner and construction begins. Rodrigo Ortiz is undoubtedly more qualified to speak about this issue than I am, so I quote him.

[Rodriguez] He is also a member of the Ministry in charge of the nuclear plant.

[Pettinau] We can call him the plant's owner.

[Rodriguez] Going back to the blockade issue, what will happen if a U.S. enterprise becomes interested in becoming the third partner in Juragua? How would Cuba and the United States benefit? You mentioned that a U.S. partner would have the great advantage of proximity. But how would Cuba benefit by having a U.S. partner?

[Pettinau] It does not matter who our partner is, whether it is a U.S., French, European, Asian, or Latin American business. I do not foresee any specific advantage based on our partner's particular nationality.

[Rodriguez] Capital is the crux of the matter.

[Pettinau] Capital is essential. However, it would be more beneficial to have a U.S. partner because materials will have to be transported and it would be easier and cheaper to do this from a nearby nation.

[Rodriguez] We would also have the advantage of advanced U.S. technology.

[Pettinau] I agree. I think that U.S. and European technology are both good.

[Rodriguez] During our last program, you mentioned that it was possible that the U.S. nuclear business sector might join the struggle to lift the U.S. blockade on Cuba. Perhaps you can further discuss this issue today and explain the possible effects of the powerful and influential U.S. nuclear lobby on removal of the U.S. blockade on Cuba.

[Pettinau] The very competitive people in the U.S. nuclear business sector feel at a disadvantage over their European counterparts and Latin American businessmen who might be interested in Juragua. The irrational and senseless blockade bans these people in the U.S. nuclear sector from participating in a nearby market, which could lead them to lobby against the blockade.

I believe that people in the high-cost, huge and powerful U.S. nuclear industry could be very influential in the fight against the blockade. For this reason, the U.S. Government has tried to stop exchanges between Cuban and U.S. nuclear experts.

[Rodriguez] During his recent speech on 26 July, Commander in Chief Fidel Castro commented on two ongoing trends to overthrow the Cuban Revolution — another topic we addressed this week with reporter Luis Sexto. Fidel stated that the practice of extending a friendly hand to overthrow the Cuban Revolution

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calls for open relations as a way of penetrating Cuba. Fidel pointed out, however, that the United States is not willing to propose any technical cooperation, especially when high technology is involved. I think nuclear technology is one of the things they do not want Cuba to have access to.

[Pettinau] Yes, I agree. This is a good illustration of what President Fidel Castro stated during his recent speech: The United States is only willing to communicate in sectors not crucial to our economy and development.

[Rodriguez] Particularly in the human sciences.

[Pettinau] Yes, but they close their doors or deter access to other sectors crucial to our economic performance.

[Rodriguez] We are talking about operating the first reactor; the Juragua project, however, calls for three reactors.

[Pettinau] We cannot think of several reactors right now due to our economic limitations. However, Cuba has a vast nuclear program that includes other projects as well. It will not be a matter of only receiving because Cuba produces certain things that can be offered, so Cuban nuclear development might be of importance to Latin America.

[Rodriguez] Today you are saying that Cuba can produce certain things. Yesterday you mentioned that Cuba signed the nonproliferation treaty to ban military use of nuclear weapons. Allow me to ask you something: can Cuba produce an atomic bomb?

[Pettinau] No. The technology involved is very complex, and Cuba does not have access to it. Cuba has also signed the Tlatelolco Treaty and has signed safeguards with the OAS since 1981. Furthermore, Cuba has never wished to devote its efforts and economy to fulfilling military goals. Cuba uses nuclear technology to achieve economic development. Nuclear technology is used in the public health sector to improve people's well-being, and in the nickel, oil, agriculture, cattle, and biotechnology industries.

[Rodriguez] We are currently studying the use of nuclear technology to produce electricity. Pettinau, I must thank you for these series on the nuclear issue. We invite you to return to Straight Talk whenever there is an essential topic that you wish to discuss. The doors are open, and we invite you from the bottom of our hearts.

[Pettinau] I accept the offer. Thank you.

Report on Juragua Nuclear Plant

PA1408144595 Havana Radio Rebelde Network in Spanish 1700 GMT 8 Aug 95

[Report by Demetrio Villa Urrutia from the "National Radio News" newscast: "Juragua, Symbol of a Project" — passages within quotation marks recorded]

[FBIS Translated Text] [Basic Industry Vice Minister Rodrigo Ortiz] "This is a great project. In Cuba we call it the project of the century because it is the most important project under way in our country and we are determined to continue it. It is a realistic project. It will guarantee our country's energy structure as an essential element. We know about the criteria stated by some people in the United States. They have talked about the project, problems about the quality of the construction, and equipment problems. They have surmised its operation is unsafe and there is a threat of a breakdown. What I can say about this is that those who are in Miami may worry about a breakdown but we, the Cubans, must make sure no breakdown occurs."

[First unidentified female reporter] Electricity was first generated using nuclear energy at the nuclear plant of Obninsk, in the former Soviet Union. The event occurred in 1954. This has become a new option for many countries ever since.

[Cuban Nuclear Energy Agency President Daniel Codorniu] "Once it was believed that this coincided with the energy crisis, the oil crisis. Nuclear energy was generally considered a world panacea. I believe there are always limits concerning these issues. It was believed that the world's energy in the future would be entirely nuclear energy.

"We can now say that 17 percent of the world's electricity is generated by nuclear energy. It is interesting to note that this quantity of electric energy produced in the world nowadays is more or less equivalent to all electricity generated in 1959. In other words, that 17 percent gives us an idea of how the world's energy production has increased.

"This 17 percent share of energy, which is generated by nuclear energy, is more than the energy produced by oil. Oil only supplies 10 percent of the electric energy generated in the world; hydroelectric plants only generate 19 percent; and most of the energy generated today in the world comes from carbon, which supplies 42 percent."

[Villa] In 1982, the ground clearing work for the construction of the first nuclear energy plant in Cuba begins. Juragua was the chosen site. Why? Nuclear engineer Julio Paz tells us why.

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[Paz] "Why was the Juragua region chosen? Because development [words indistinct] are carried out there. Studies of the system conducted in 1974 revealed that a large capacity plant could be built in the central southern region of Cuba. This large capacity plant could be a thermoelectric, hydroelectric, or any type of plant due to the growth expected in the central southern region of the country in the next 25 years, until the year 2000 [words indistinct] then, studies were initiated to determine what kind of plant was to be built and where. As a result, on that occasion, the Soviet Union offered to build two nuclear plants in Cuba, using the type of reactors that were the typical reactors existent at that time financed by the Soviet Union [word indistinct] to Cuba."

[First unidentified female reporter] Experts affirm that the generation of electric power by atomic fission has some advantages. Nuclear plants do not produce the million tons of ashes, sulphuric acid, and other waste, which are released in the air by thermoelectric plants. For example:

[First unidentified speaker] "I can give you some facts in favor of nuclear energy. The amount of waste created in generating nuclear energy is much less than the waste created by burning coal or oil, and the fact that these quantities are so small makes it possible to control the waste.

"For example, an average family in Sweden, which is a very developed county, consumes 8,000 kwh of electricity each year. If this electricity is generated by nuclear power, this will generate one liter of waste per year. This estimate includes the waste that 8,000 kwh create when shutting down the power plants. However, if these 8,000 kwh were generated by burning coal, which is a relatively cheap source of energy, with abundant reserves throughout the world — we have yet to talk about the energy reserves issue — this would create 400 liters of ashes and toxic waste. That is solid waste. Included in this toxic waste is mercury, and lead, which cannot be controlled, and 4 million liters of carbon dioxide which are released into the atmosphere without any control."

[Villa] "What is the status at the Juragua Nuclear Plant construction site now? At what phase is the project?" Isaac Alayon Gutierrez, Director of Juragua Nuclear Power Plant:

[Alayon] "In 1992, specifically September, it was decided to temporarily stop construction work. Since then, we have focused mainly in two directions. First we focused our efforts on ensuring compliance with a temporary halt plan, which is basically directed at safeguarding and conserving all the plant's equipment and buildings, and maintaining the work force. That was one important goal. The other one was to arrange for the completion of the project by creating an international economic association. "

[Codorniu] "The plant we are building has two phases. The original project calls for two reactors for each phase. We are now talking about the first phase. Construction work on reactor number 1 of the first phase — that it the reactor itself where electricity is produced — is 90 percent complete. The rest of the installation, which includes intakes and other structures that ensure production, are 75 percent complete. Installation of finishing materials is 20 percent complete. This means the project is at a very advanced stage. Basically what is left is the installation of thermal, mechanical, electrical, and cooling and systems. Basically, then, we still have work to do on the final installation and ventilation. We have the main equipment components stored in Juragua. The equipment at the site and ready to install."

[First unidentified reporter] "There is a considerable number of nuclear reactors generating electricity all over the world."

[Second unidentified speaker] "There are 423 reactors installed all over the world currently producing electricity."

[First unidentified reporter] "Is there a specific country claiming to have the largest number of reactors operating within its territory?"

[Second unidentified speaker] "Yes. The country with the most reactors in operation is the United States, with 111. However, it is not the country with the highest percentage of nuclear electricity. France is the country with the highest percentage of nuclear electricity production. France uses 75 percent of nuclear energy. The French program is truly an example of a nuclear program with clear objectives, where there have never been any significant accidents. Actually, there have been no accidents at all. There may have been some incidents, but no accidents. They have a high efficiency rate in all their reactors."

[Villa] Summer of 1995: From a height of 69 meters, the scene at Juragua is truly impressive when seen from the highest point of reactor block number 1.

[Third unidentified speaker] "We are on the top of the reactor block. This is the top [words indistinct]. I am used to this, but you are not. Be careful not to slip. You can see the cranes moving over there, see? [words indistinct] We were in the smaller buildings over there. Can you see them? [words indistinct]. This is something you see once in a lifetime. This is something you will see only once in you lives [words indistinct]."

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[Second unidentified reporter] "What kind of protection... [pauses] Could you tell us again what kind of protective measures this equipment is receiving?"

[Third unidentified speaker] "It undergoes several kinds of protection measures. At this time, for example, they are examining the inside of each one looking for any kind of evidence of deterioration. They use a small brush. You can see one there. They brush the surface carefully and then clean it. See how clean the inside of this is. Can you see? They have cleaned the surface and they are now examining it again. They work with special boots [words indistinct] to clean and protect it. See? You can see what it looks like. Now they [words indistinct] and make sure the process is complete. Then they take down this equipment [words indistinct] on the top, but it has wooden wedges along the sides. These are special wedges. When they finish that, they close and seal this here [words indistinct]."

[Second unidentified reporter] "[Words indistinct]"

[Third unidentified speaker] "No, no, that is not necessary. [Passage indistinct]."

[Villa] International news agencies reported that the U.S. State Department voiced its concern regarding the Cuban Government's decision to complete construction work at the Juragua Nuclear Power Plant, which has been at a standstill since 1992, stating its doubts about the plant meeting operational safety standards. State Department spokesperson (Mitchel Bush) recalled that they want to make sure that any nuclear plant built in Cuba meets the minimum international safety requirements. It was learned that 131 legislators from both parties sent President Clinton a letter, asking Russia not to aid Cuba in completing the Juragua Nuclear Power Plant.

[First unidentified speaker] "I do not think the province is in any danger when the nuclear plant goes into operation. Everyone knows that Cuban experts [words indistinct] installed all the safety measures required for the construction of a nuclear power plant in such a small country as ours."

[Fourth unidentified speaker] "I do not think so. I do not think it poses any kind of danger, because they have adopted many safety measures during the construction. They even took the accident at the Chernobyl nuclear plant into account. We learned that they adopted additional measures. They have kept us informed every step of the way about what has been done at the nuclear plant from the very beginning. Given the international experience that goes into the construction of this kind plant I do not believe it will pose a threat for the people."

[Fifth unidentified speaker] "Sincerely, sincerely, it has been demonstrated [passage indistinct]."

[Sixth unidentified speaker] "I do not think it will pose any problem [words indistinct] five or six kilometers."

[Villa] Fidel Santana assists the Cuban Security Council on nuclear energy matters.

[Santana] "When the country's leaders decided to launch the emergency program, we [words indistinct] the order to prepare a conservation plan for the period the construction would be paralyzed. The plan considered all the necessary processes to guarantee the conservation of all the (?plant's) components and not harm the work guarantee of every one of them. We are not the only ones making that demand, since the manufacturer has to concur that the conservation process does not impair or harm the quality of the equipment that is now in the nuclear plant. We conduct periodic follow-ups within the conservation plan. We conduct two inspections a year and verify with our actions the satisfactory compliance with the plan. Should there be any [words indistinct] with any equipment that does not meet requirements or if one of the processes is not observed, we have to demonstrate before it is installed that it really has not lost the conditions for which it was designed.

"That way, we are guaranteeing that no equipment when the [word indistinct] begins to operate, so long as the authorization is granted, does not fall outside the parameters of quality, as if it were [words indistinct] the equipment that does not conserve its conditions of quality or quality characteristics cannot be installed in the plant.

"This particularly applies to all equipment, and not just an isolated piece of equipment. We also check the system, meaning, all the components that are part of a specific function, because they must be reliable as a whole. The quality of the equipment must be demonstrated before it is put into operation. That way, we are guaranteeing there are no breakdowns due to a malfunction of any of these component parts."

[Second unidentified female reporter] The security conditions of nuclear plants includes the demands regarding the materials required to build them and the infrastructure that supports this work. In Cuba, the Nuclear Energy Agency has more than one office assigned to ensure compliance with this requirement. No plant in the world has been built with such a high degree of security as the nuclear reactors and nuclear plants. Do you know that studies by different experts have shown that serious damage at a nuclear plant is 1,000 times less likely to

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happen than a strong earthquake or a crack in a large dike?

[Villa] Based on the functioning experience of reactors similar to ours, the International Atomic Energy Agency recommended improvements to the reactor design. Our experts had taken into consideration many of these possible recommendations much earlier.

[Alayon] "We have cited many examples of elements introduced into the plant's project. It seems to me it makes no sense to get into details from a technical standpoint on the improvements that have been introduced. It is important, however, for you to know that we have systematically evaluated the problem of our design. We have been systematically incorporating our requirements into our plant to bring it up to international standards, so that our plant can be equal to nuclear plants of other countries, any country.

"Recently, within the framework of the feasibility study, we conducted an analysis of the performance of our safeguards based on an analysis made on the Russian nuclear reactors. I can tell you today the comparison of our plant with the recommendations made to the nuclear reactors casts our plant in very favorable light. Over 50 percent of the recommendations that are made on the Russian reactors are introduced in our project. A considerable [word indistinct] that could be over 30 percent, cannot be resolved at this time because they are linked to the plant's [word indistinct]."

[Villa] One of the design aspects taken into account at the Juragua Nuclear Power Plant is the destination of radioactive waste. In our country, the state is conducting studies to augment disposal facilities for future waste. Juragua can safely assimilate the waste it produces throughout its useful lifespan.

[Seventh unidentified speaker] "The waste problem, from the technical standpoint, is resolved in the sense that we have the confinement technology, and we have studies and designs on ways waste can be kept and conserved to ensure the safety of future generations, taking into account geological actions. No country has taken the step for definite disposal and storage. This is fundamentally a problem of public opinion. People do understand this, but no one wants to know about it. The method there is: I do not want this in my backyard, not in my backyard. Therefore, it is more a problem of public opinion, of this sort of concern, as opposed to a technical problem.

"There is the historic case of a natural nuclear reactor in Gabon, an African country where a natural chain reaction occurred because of certain coinciding factors. In other words, there were certain levels of concentration — I am speaking of thousands of years ago — of uranium 235, which is fissionable, which produced a sufficient mass to cause a chain reaction. This worked as a nuclear reactor below the ground and produced something equivalent to the nuclear waste from a nuclear reactor. This waste was there for thousands of years and nothing happened, it did not spread into the atmosphere. This at least shows, at least it is an example of nature itself that these wastes can be confined in a way..."

[Third unidentified reporter] "Abel, please give us your full name and occupation. Could you tell us over the telephone?"

[Gonzalez] "Yes, my name is Abel Julio Gonzalez, and I am the assistant director of the Security Division of the International Atomic Energy Agency. First of all, what I believe is unique in Cuba's work compared to that of countries with similar levels of development, is that Cuba has taken the training of personnel, the training of experts, very seriously.

"Cuba has made an enormous effort over many years to send people abroad to train them. Cuba sent many people to socialist countries, but also sent people to other countries. [Word indistinct] course on protection and security has always had at least one or two Cuban students every year, and this course has been taught, I believe, for 15 years. What is most important to stress is that they were all excellent students — they were always among the top of the class — and additionally, once they returned to Cuba, they worked actively with this, which is something that normally does not happen with the people who are with the [word indistinct].

"It is very common with developing countries that the person comes to the [word indistinct] course, trains, and then returns to his country to work on something different or else goes to another country. This has not happened with Cuba — Cuba is an exception to the rule, in general — and all of Cuba's experts who trained abroad returned to this work, and many of them occupied important posts in Cuba, such as the president of the commission and others.

"This resulted in good training of personnel, and the rest comes practically free. When one has properly trained people, these people prepare correct work plans, conduct proper laboratories, and carry out their tasks responsibly. Well, this is what has taken place in Cuba. Cuban experts are known worldwide on protection and security topics. They have actively worked on this, with very limited resources and in truly unique economic conditions, they have done things more than reasonably well — at least up to the last time I was there."

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[Villa] With the criteria of continuing to build the first Cuban nuclear power plant, today work is under way on the plant's feasibility study.

[Eighth unidentified speaker] "We are carrying out studies to determine the plant's true technical, economic, and financial situation, and we should have completed it in the next few weeks, and we can then submit it to our government for approval. The next step will be to put out bid tenders, encourage this study, and try to find possible partners that may want to finish the plant with us. We have spoken to several. I cannot tell you the names, as otherwise our enemies will exert pressure on them. But there are several serious and important enterprises in the world that wish to join us, but we must first complete the feasibility study. This means that in the next few weeks we will begin the process of holding talks with the enterprises, discuss with them trying to achieve whatever our country approves so as to form an international economic association that completes the power plant and operates it throughout its useful life. This is the decision, and this is how we have been working."

[Ninth unidentified speaker] "When a campaign is carried out in the United States, it is a campaign pursuing political goals. I believe that specialists in this subject could study in depth our plant, and in fact we have met here with an important group of visitors from countries having nuclear plant technology. For instance, even Americans themselves have come here and have had the opportunity to examine our project. The International Atomic Energy Agency's secretary general, for instance, and visitors from other countries have come, and the appraisal of our plant is really a positive, very positive, evaluation of security problems.

"What happens is that the extreme right residing in the United States wields or uses security problems as an argument to attack the nuclear plant, but they do not really have weighty criteria to say that our plant is unsafe."

[Villa] Juragua plays an important role in the country's energy development program, first because it is an important power. Each reactor produces 417 megawatts. The operation of each reactor represents in Cuba a substitute for conventional fuel to the tune of 700,000 tons of oil annually. This is a net economic benefit besides the power it incorporates which would guarantee us another type of fuel to provide flexibility to the operation. That is to say that nuclear energy is very important for Cuba's energy development.

We must not leave out that the country's economic development, which begins to — we begin to — recover from the special period in some sectors, passes through energy development. Without electricity or energy, we cannot guarantee the country's energy development, and we have almost finished a large percent of this plant. Within three or three and a half years, the plant could begin operation. Then the project could be even faster. That is why we have to finish Juragua in the technical aspect, economic aspect, and in the aspect of flexibility in the operation of the electrical systems.

Juragua Plant To Meet Security Standards

PA1508042195 Havana PRENSA LATINA in Spanish 0015 GMT 10 Aug 95

[By Argel Calcines]

[FBIS Translated Text] Havana, 9 Aug (PL) — Cuban experts today affirmed here that "the Juragua Nuclear Plant has a solid design concept, which has been subjected to systematic improvements in accordance with new security demands."

According to engineer Fidel Ilizastigui, from the National Nuclear Security Center [Centro Nacional de Seguridad Nuclear] (CNSN), this installation located in the southern central Cienfuegos Province "could meet the internationally accepted reasonable security standards before it starts operating."

"The virtues of the VVER-400/318 reactor model and the real possibilities of introducing modifications during the construction and assembling phases allow this Russian technology to meet the current demands of the International Atomic Energy Organization," Ilizastigui said.

He explained the preliminary results of a CNSN study on the Juragua design at the first workshop on industrial security evaluation and accident prevention, which the Higher Nuclear Science and Technology Institute concluded following three days of hard work.

Along with the nuclear experts, technicians from the conventional energy, civil aeronautics, and even biotechnological sectors delivered speeches, agreeing with "the need to promote a culture of security, which is essential in the undertaking of major projects."

The concept of "culture of security" became popular in the nuclear energy sector as a result of the 1986 Chernobyl accident, in the Ukraine. The CNSN is currently embarked on a research to evaluate how prepared the Cuban institutions and staff in the sector are, Ruben Ferro pointed out.

"It is currently recognized that security in the so-called risky industries largely depends on the human factor," this thermophysicist, who graduated from Moscow's Energy Institute, maintained.

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Another report presented by Juan G. Rodriguez referred to the analysis on seismic risk at the Juragua plant and the significance of evaluating soil response and technological structures with a view to preventing accidents and preparing emergency plans.

Although the plant is designed to withstand an earthquake measuring eight in the MSK-64 scale, all measures that could be taken in the event of an earthquake of this magnitude will be analyzed in order to finish building the Cuban thermonuclear plant, Rodriguez affirmed.

"This must be part of the documents necessary to obtain the authorization to continue with the endeavor," he added.

While its construction was halted in September 1992 for financial problems, since its beginning, Juragua anticipated four VVER-400/318 nuclear reactors, similar to those installed at the Loviisa and Paks nuclear plants, in Finland and Hungary, respectively.

The Cuban government is currently awaiting the results of a technical and economic feasibility study to finish building at least the first thermonuclear bloc, the civil construction of which is 75 percent finished; the mechanical assembly, 20 percent finished; and the electrical assembly, 17 percent finished, according to Basic Industry Ministry data.

Starting there, negotiations would be held to create an economic organization that would be in charge of finishing and exploiting the nuclear plant. Cuba, Russia, and interested third parties would take part of this organization.

Haiti

People 'Reluctant To Participate' in Elections 13 Aug

PA1408190395 Port-au-Prince Signal FM Radio in French 1030 GMT 14 Aug 95

[From "The Waking Up Newscast" — passages within quotation marks in Creole]

[FBIS Translated Excerpt] Complementary elections were held in 21 districts in which the first ballot could not take place last 25 June for various reasons, in certain cases because of violence. A few hours before the closing of the polling stations, Eric Falt, the spokesman for the UN Mission in Haiti [UNMIH], indicated that the elections generally unfolded calmly.

That was notably the case in the commune of Kenscoff — located 28 km east of Port-au-Prince — where the ballot was canceled following a criminal fire in an electoral office.

UNMIH deployed an important security detail in the locality.

Mr. Falt nevertheless pointed out some incidents, such as in Belle-Anse, where individuals tried to discourage voters with megaphones, and in Carrefour — 12 km from the capital — where strangers hurled stones at voters. The spokesman recalled that elections... [pauses] the UNMIH was deployed in all districts.

The majority of parties refused to participate in these elections and demanded the cancellation of the first round which — they say — were marred by irregularities and fraud in favor of the Lavalas Political Organization.

In the districts of Port-au-Prince, Carrefour, Carrefour-Feuilles, Martissant, Petion-Ville, and Croix-des-Bouquets, the polling stations actually opened their doors as of 0600 yesterday morning, but the Haitian people showed themselves reluctant to participate, according to what our reporters told us.

In a few polling stations, very few people (?appeared) to vote within the scope of the complementary elections. No presence of national and international observers has been noted. The Haitian policemen were not mobilized this Sunday as they were during the first round of the elections on 25 June, according to our reporters.

In Kenscoff, yesterday, Sunday, 13 August, until around 1100 in the afternoon [as heard], no major incidents were recorded. Several security details were set up, especially in the downtown area, where UNMIH policemen were going back and forth.

We must also point out the presence of certain helicopters that were flying over the city. Several polling station members who had been contacted said that the population did not go out to vote as was the case on 25 June. They attribute this to possible fear.

There has already been a statement by Kenscoff inhabitants according to which they had allegedly voted already and that they do not need to go out to do it again. Let us listen to them before the microphone of Bichara Cineus.

[Begin recording] [Unidentified speaker] "Yes, they are afraid of coming to vote; all the more so since they have already voted, they say."

[Cineus] "I see that there is a lot a security (?agents) in Kenscoff City. So, the people could come to vote without problems."

[Unidentified speaker] "No, the first time, when there were disorders, there were security (?agents). Now, even

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if they see security (?agents), they will always be afraid of coming to vote." [end recording]

According to Gustave Louis, candidate for deputy for the district of Petion-Ville-Kenscoff, the people did not go out to vote, because they knew the elections were going to be rigged. According to Mr. Gustave, the deputy of the fourth district of Port-au-Prince, has already been elected, even before the elections. [passage omitted]

For his part, the president of the Department Electoral Office of the West says he has acknowledged the passiveness of the inhabitants of Kenscoff in front of these partial elections. Mr. Laurent Aubourg Bossuet says that in all foreign countries partial elections never have much participation.

[Begin Bossuet recording] "Well, in general, in all countries in the world, not only in Haiti — in 1990 there was that also — there is always a demobilization in partial elections. You find a very low percentage of people who come to vote in all partial elections. This happens in all countries in the world, not only in Haiti. So, it is normal that fewer people go to the polls in comparison with the number of people who went to vote in the first round. I hope they will go to vote massively in the second round." [end recording] [passage omitted]

Georges Congratulates People for Abstaining From Voting

PA1408191695 Port-au-Prince Signal FM Radio in French 1030 GMT 14 Aug 95

[From "The Waking Up Newscast"]

[FBIS Translated Text] For his part, party leader Reynold Georges pounds the table with his fist. He contests the legitimacy of yesterday's complementary elections. Let us listen to statements by Reynold Georges yesterday at the microphone of Signal.

[Begin Georges recording, in Creole] The Alliance for the Liberation and Progress of Haiti [ALAH] congratulates the Haitian people for having stayed home and not gone to the elections. Everybody has noted that the elections are a true failure, although the Provisional Electoral Council [CEP] fraudulently used the emblems and acronyms of all the parties that said they would (?not) go to the elections and — by way of evidence — the parties have never participated in any meeting with this CEP up until now.

The elections have failed, and we ask for the dismissal of the CEP and general elections. This is Senator Reynold Georges for the political parties. Thank you. [end recording]

Serge Joseph Contests Legitimacy of Elections

PA1408192795 Port-au-Prince Signal FM Radio in French 1030 GMT 14 Aug 95

[From "The Waking Up Newscast"]

[FBIS Translated Excerpt] Serge Joseph is in charge. The former Artibonite senator contests the legitimacy of the 46th legislature, given that the latest elections were an utter mess, he pointed out. Serge Joseph straightforwardly says that those elected in this fraudulent ballot will not have any legitimacy, therefore, they should not sit in Parliament. [passage omitted]

Gilles Urges Dialogue To Settle Privatization Disagreement

PA1408193795 Port-au-Prince Signal FM Radio in French 1030 GMT 14 Aug 95

[From "The Waking Up Newscast"]

[FBIS Translated Excerpt] With regard to the privatization of state-owned firms, priority should be given to production, according to the Nationalistic Progressive Revolutionary Party of Haiti [Panpra]. The duty of any government, says Serge Gilles, is to give its people food.

The Panpra secretary general proposes holding a national dialogue to settle the disagreement with the presidency on the democratization of state-owned firms. According to Serge Gilles, today it is no longer a question of looking at who is for and who is against. The problem of privatization is secondary; it is necessary for officials to seriously look into production, stresses Serge Gilles. He indicates that production is the determining element in the fragile context in which the future of the country is at stake. [passage omitted]

Elections Spark Scuffle Between Opposition, Government

PA1408201195 Madrid EFE in Spanish 1651 GMT 14 Aug 95

[By Herold Jean-Francois]

[FBIS Translated Text] Port-au-Prince, 14 August (EFE) — Voter turnout in the complementary elections held in Haiti on Sunday has become the new apple of discord between the Haitian opposition, on one hand, and the government and Provisional Electoral Council (CEP), on the other.

According to CEP, half of voters registered in the electoral districts that held elections yesterday went out to vote, but the opposition maintains that voter turnout did not exceed 5 percent.

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The complementary elections of the first round of the 25 June legislative and municipal elections were held on Sunday, and they took place in 21 districts in which either irregularities were confirmed or no elections were held in June.

CEP spokesman Alexander Gerin said that, on Sunday, voter turnout was heavier in the country's interior — the departments of Nord, Artibonite, Centre, Sud-Est, and Nord-Est — while abstentionism prevailed in the area of Port-au-Prince.

However, the opposition immediately contested these figures. Most of the opposition boycotted the complementary round of elections, and has announced its intention of boycotting the second round as well.

Sergio Gilles, leader of the Nationalist Progressive Revolutionary Party of Haiti (Panpra), stated that voter turnout ranged between 2 and 5 percent, according to observations made by his party in the capital's metropolitan area.

"The CEP even surpasses the limits of deception," remarked Gilles, who believes "everyone has been able to confirm what happened. The people are aware that lies are being told on their behalf."

Meanwhile, Evans Paul, leader of the National Front for Change and Democracy (FNCD), described as "paltry" the turnout registered in the complementary elections.

Paul, former mayor of Port-au-Prince and one of the country's most popular politicians, affirmed that the CEP statement reminded him of the referendum held by the Duvalier regime in 1983, when — despite massive abstentionism — the authorities stated that 99.99 percent of registered voters had participated.

Paul condemned the situation by saying that "it does not entail glory or victory for anyone" and asserted that the abstentionism had been "a decision by the people, who are keeping themselves at a distance in light of the elections' lack of credibility."

Both Gilles and Paul believe it is necessary for the entire electoral process to be reviewed in order to restore to the political system its lost credibility.

Only the Lavalas Political Organization (OPL), President Jean Bertrand Aristide's group, and several smaller groups have supported the electoral process, which has been marked by numerous irregularities in its different stages (electoral campaign, first round, and vote count).

At least 18 of the 25 parties registered in the first round have boycotted the complementary elections and the second round, at least until the irregularities denounced in the electoral campaign, the elections, and the subsequent vote count are reviewed.

The CEP has yet to set up a date for the second round. However, several Haitian newspapers are speculating today that the second round might be held on 16 or 17 September.

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Finance Secretary: Economic Crisis Hits Bottom

PA1408213195 Mexico City NOTIMEX in Spanish 0130 GMT 9 Aug 95

[FBIS Translated Text] Mexico City, 8 Aug (NOTIMEX) — The Mexican economic crisis touched bottom and we now expect a recovery by years end, Finance Secretary Guillermo Ortiz Martinez said today.

"I think that we touched bottom and are now expecting a gradual recovery in revenues by the last trimester of this year as well as a much better outlook for 1996 to consolidate sustained growth by 1997," the official pointed out.

At a teleconference organized by the Technological Institute for Higher Studies of Monterrey (ITESM), the secretary added that the macroeconomic measures applied by the current government will lead to a dynamic and sustainable development.

We have managed to consolidate a macroeconomic structure to help us achieve economic recovery, strengthen small and medium-sized businesses, and find solutions to the heavy indebtness problem among families by the second semester of 1995, he added.

Ortiz Martinez pointed to the implementation of special programs to support the agricultural sector, mini, small, and medium-sized businesses, and the commerce, service, housing, and commercial banking sectors.

The secretary said that funds for this assistance came from the budget and he added that the goals of this program have been achieved.

Ortiz Martinez noted that contrary to the 1982 crisis when the country took seven years to return to capital markets, in the current one this was achieved in only six months.

So far in 1995 development banking (National Finance Bank and the National Foreign Trade Bank among others) managed to place about $1.6 billion on the international market.

However, Ortiz Martinez admitted that higher domestic savings would finance more investments and this would in turn have a positive effect on economic growth.

The secretary noted that among the priorities for the second semester of 1995 are promoting gradual economic revival, creating new jobs, and solving the problems facing bank debtors.

Ortiz Martinez announced that bills will soon be presented to strengthen domestic savings through reforms of the pension and taxing systems, after their consideration by the Mexican Congress.

Business Council Proposes Economic Measures to Zedillo

PA1408143195 Mexico City NOTIMEX in Spanish 2158 GMT 8 Aug 95

[FBIS Translated Text] Mexico City, 8 Aug (NOTIMEX) — The executive commission of the Business Coordinating Council [CCE] today presented a document to President Ernesto Zedillo that includes 18 measures to support the country's productive sector and to promote employment with a view to reactivating the economy.

The CCE stated that in view of the emergency situation the country is experiencing, the productive sector needs to adopt urgent measures that will result in actions to reactivate the economy, without undermining the results already accomplished by the current economic program.

The CCE advised that with regard to government purchases, the most important and urgent measures should include the immediate payment of invoices to suppliers as well as the issuance of a monthly schedule for purchases and projects.

It proposed increasing the amount of prepayments to public sector suppliers and contractors by 40 and 50 percent, respectively, as well as rescheduling a significant portion of prepaid expenses to the third quarter of the fiscal year.

On fiscal matters, the CCE proposed the immediate refund of all VAT [value-added tax] balances, the voluntary fiscal regularization [regularizacion fiscal voluntaria] of small- and medium-sized firms for 1994, as well as the payment of previous fiscal credits.

The CCE recommended that firms be allowed to pay off the VAT only when the collection process has been completed, that the fiscal stamp exoneration be extended in cases of firms repatriating capitals as long as foreign exchange is entered into the country and remains in it for a minimum of three years, and that new fiscal audits are suspended.

Concerning financial matters, the CCE executive commission urged President Zedillo to specify all financing commitments the National Foreign Trade Bank of Mexico [Bancomext] has for the remainder of the year and to increase resources to support those exports that have already been committed.

The CCE also urged the president to authorize Bancomext to grant temporary financing to imported merchandise to permit a rapid release of containers in order to use them for exports.

It asked the government for additional guarantees, guarantees needed for the reorganization of obligations

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in the farming sector. It called for the reduction in the time it takes to deliver Procampo [Program of Direct Support to the Countryside] resources for the 1995 spring-summer period to a 30-day maximum and the immediate implementation of the Housing Fund (FOVI) budget.

On administrative deregulation, the CCE suggested to the president the extension of the FICTA [expansion unknown] practice to the procedures of all federal offices. It also called for the suspension of administrative supervisory procedures carried out by the Mexican Social Security Institute, the Fire Department, and the Health and Welfare Secretariat at the various enterprises.

To promote domestic savings, the CCE demanded the deduction of life insurance premiums and an increase of at least 50 percent in the maximum limit applicable to fiscal savings accounts.

It recommended that the measures adopted be immediately implemented and widely advertised so that society can improve its expectations without jeopardizing the results of the current economic program.

It explained that these emergency measures respond to the deterioration through which the productive sector is going and the country's growing unemployment.

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El Salvador

Armed Forces Seek New Legislation To Adapt to Times

PA1508000195 San Salvador LA PRENSA GRAFICA in Spanish 12 Aug 95 p 26A

[FBIS Translated Text] The Armed Forces are seeking to become modern and professional by adapting the legislation that was amended after the signing of the peace accords and by updating their educational system.

Yesterday, the military institution, through the College of High-Level Strategic Studies, held the seminar: "The Modernization of the Armed Forces for the 21st Century," attended by officers and civilians.

Ricardo Cordova Macias, who was one of the speakers, highlighted the changes the Army has undergone. "Now, as a result of the peace accords, their chief function is limited to defending the country's sovereignty and territorial integrity," Cordova stated.

Defense Minister Humberto Corado Figueroa has said the Armed Forces want to update the military laws because some of them are obsolete and are out of sync with the country's Constitution.

"We cannot think about having an armed institution capable of fulfilling its missions if it does not have a good educational system to train its members," Corado noted.

It was stated at the seminar that the Armed Forces know they must make adaptations that will allow them to participate along with the people in this moment in history and in the near future.

Antonio Martinez Uribe, Derling Rivas Platero, and Alfonso Ayala Dimas participated in the seminar as speakers and emphasized the Army's efforts to become a professional and modern institution.

Guatemala

Supreme Court Orders Suspension of Congress President

PA1508012595 Panama City ACAN in Spanish 0002 GMT 15 Aug 95

[FBIS Translated Text] Guatemala City, 14 Aug (ACAN-EFE) — Former coupist General Efrain Rios Montt, president of Congress, was suspended today from his post after the Supreme Court of Justice (CSJ) announced that he will be tried, together with two other deputies, for abuse of authority and violation of the Constitution.

This was revealed today by attorney Sergio Belteton, who filed a lawsuit before the judicial branch against Rios Montt and Deputies Francisco Reyes and Fernando Garcia, all of whom are members of the conservative Guatemalan Republican Front (FRG).

The proceedings began at the end of June, after the deputies attempted to try, without success, the five magistrates of the Supreme Electoral Tribunal (TSE) for having convened the 12 November general elections based on the 1981 population census instead of the 1993 census.

The deputies hoped that the general elections would be held under last year's population census with the purpose of increasing the number of legislative chamber seats from 80 to 112.

According to Belteton, the proceedings against the magistrates should have been apoproved by the 80-deputy Congress and not only the Permanent Commission, made up of FRG legislators and Christian Democrat Lizardo Sosa, who was not charged for voting against the proceeding.

After the CSJ declared the trial legal, the three parliamentarians were automatically suspended from their posts, the jurist told Sonora radio station.

Belteton accused the legislators of "usurping functions, violating the Constitution, and abuse of authority."

With the trial against him, former Gen. Rios Montt suffers yet another political setback, because electoral authorities recently denied his registration as a presidential candidate.

The controversial military officer led a de facto government between 1982 and 1983, following the coup d'etat that toppled General Romeo Lucas Garcia, and, according to the 1985 Constitution, coupist officers may not run for president.

Following Rios Montt's rejection, the FRG nominated Teresa Sosa de Rios, wife of the former general, as a candidate for the Presidency.

So far, both Rios Montt and the other two deputies have not commented on the Supreme Court ruling, which practically excludes them from the electoral process if their case is not settled before the vote, on 12 November.

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Nicaragua

Narcotics Mafia Said Invading Country

PA1408173395 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1230 GMT 10 Aug 95

[Report by special correspondent Jaime Orlando Gaytan from Managua; from the "Caracol 7:30" newscast]

[FBIS Translated Text] We begin this report from Managua, Nicaragua, with the National Palace in the background, a palace that served as the government house for Anastasio Somoza's dictatorship and was seized by the Sandinists in 1978.

While the blows against the Cali Cartel and the controversy over the alleged illegal funds continue in Colombia, in this country, the president has charged that international drug trafficking wants to invade her country.

The mafia's tentacles have been transferred to a new location, and they are now affecting the Nicaraguan coast. The reason for this: Colombia's all-out-war on drugs.

[Begin Nicaraguan President Violeta Chamorro recording] We are surrounded by water. We have the Atlantic and Pacific Oceans, as well as a big lake. Drugs have been appearing here and there for some time, and we are seeking to capture those involved in it in order to punish them. [end recording]

This beautiful and rich zone is the new bridge for the drug trafficking business through the use of rapid launches and big ships.

Drug traffickers abandoned San Andres and now, evading the DEA and the CIA, they take drugs to the United States by sailing along the Central American coasts to southern Mexico and then introducing the drugs into the United States.

Corruption, deficient police controls, the extensive and inhospitable coast interconnected by rivers, and the idleness of retired pilots and former military men is the perfect cultural medium.

[Begin Atlantic Coast Police Commander Ramon Avellan recording] Activities such as drug trafficking, gun running, and the entry of illegal aliens remain high in the region. [end recording]

Upon returning, the very same launches are used to carry weapons for rebel groups and a large quantity of money that is to be laundered.

On Sunday, the church raised its voice of alarm in what could be viewed as a call to put a stop to this lethal invasion. It called for the attention of the people, who are dangerously looking at this problem with indifference.

We are now near the old Managua cathedral, destroyed by the 1972 earthquake. Continuing with our report, a clear example of what this nation is experiencing was the hijacking of a plane by alleged drug traffickers. The pilot turned up dead in Colombia. Now, this case is a puzzle for Colombian and Nicaraguan policemen, and it has been highlighted by the Nicaraguan media.

The plane, which belonged to La Costena Airlines, disappeared on Sunday, 30 July, while on a flight contracted by an ecological group.

Apparently, the plane, piloted by Andres Narvaez, was hijacked and subsequently flown to several Central American countries. Mysteriously and evading radars, including U.S. radars, the plane landed in Colombia. Days later, Narvaez was found dead near Zipaquira.

Narvaez' relatives blamed the airline, noting that the crime was part of a retaliation by drug traffickers. The airline owners rejected such a charge.

[Begin La Costena Airline owner Julian Caballero recording] It has been basically a newspaper theory. The authorities have not released the official version. We only know that the plane was hijacked and that the pilot was found dead in Colombia. [end recording]

In the meantime, police ascertained that the plane is in Villavicencio. A retired lieutenant colonel has been mentioned as involved in this case. It has been said that the reason for the crime was the return of Miguel Rodriguez Orejuela to Colombia, who was taken to Colombia to then be captured by the Search Bloc.

This is the tenth hijacking case in Central America. Authorities fear that the hijacked planes are being used as a part of a new secret fleet at the service of the drug trafficking business.

Viewing this information from another angle, the Nicaraguan president herself has confirmed to "Caracol 7:30" that she will not give up her determination to claim San Andres.

[Begin recording] [Chamorro] These are things that we must gradually discuss. At present everything is all right.

[Gaytan] Has this been discussed at any international organization?

[Chamorro] No, no, no. Not right now. There is no problem with San Andres or anything like that. We will discuss that later. [end recording]

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The president's remarks seem to indicate that she will not reverse the plans she set forth from the beginning of her administration.

Coincidentally, military expenses in the form of combat helicopters and logistical material have increased over the past few months. The Navy also received reinforcement, particularly in strategic areas such as Bluefields, which is across from San Andres, where Nicaragua's main naval base is located.

"Caracol 7:30" had access to the restricted area. Patrol boats, which over the past few months have been equipped with long-range artillery, depart from this point. These same patrol boats capture fishing boats in international waters, and in some cases Colombians are captured.

[Begin unidentified speaker's recording] There have been cases in which Colombian boats have been detained in Colombian waters, but all of these incidents have been resolved through our Foreign Ministry. [end recording]

Meanwhile, Nicaragua is facing a serious economic crisis due to the decline of its exports, overwhelming unemployment, low salaries, and 60 percent of the population's very low standard of living.

This is why certain sectors characterize the claim on San Andres as false nationalism, saying that it is a strategy to [word indistinct] interest in solutions to the upheaval surrounding the Nicaraguan economy.

Panama

Further Reportage on Labor Reform, Developments

Union Asks for Presidential Veto

PA1408160595 Panama City LA PRENSA in Spanish 14 Aug 95 p A-1

[Report by Manuel Alvarez Cedeno]

[FBIS Translated Text] Genaro Lopez, leader of the Single National Union of Construction and Related Workers [SUNTRACS], has asked President Ernesto Perez Balladares to veto the Labor Code reforms the Legislative Assembly approved during third debate the night of 12 August. Lopez has also said that the workers will remain on strike for an indefinite time and that the president's veto will "restore the people's peace." He is leading a general strike to protest the Labor Code reforms that started to be debated on 4 August. Violent disturbances during the first stage of the strike left four dead, dozens of injured, and approximately 500 detained.

The unions of construction and banana plantation workers lead the 49 labor unions that have been on strike since Friday the week before last to exert pressure on the Labor Code reforms, which they regard as harmful to the working class. Lopez has said that the strike "will stand firm" and that labor organizations, members of federations that endorse the reforms, such as FITABHA [Industrial Federation of Food, Beverage, Hotel and Related Workers], are gradually joining the strike.

The reforms were approved the night of 12 August by 37 votes to 32. Ruling party lawmaker Mario Smith, representative of the Chiriqui Province banana plantation workers, abstained. Lopez has said: "The strike remains firm. The Otis Elevator Company's workers union, in charge of the maintenance of elevators, will join the strike tomorrow (today). We also have the support of the Colon and Bocas del Toro teachers."

He has also said passenger transport union leaders today will consider the possibility of supporting the strike declared by construction, banana plantation, and other labor unions. Asked to confirm remarks by Antonio Vargas, the strikers' lawyer, who has said the possibility of lifting the strike was being considered, Lopez has said there had apparently been some "confusion." Lopez has reiterated that the strike will go on and that the leaders of the 49 organizations that have called for it are the only ones that can lift it. This pressure tactic has caused national production losses amounting to the millions of dollars. "President Perez Balladares should think it over and veto the proposal so peace can be restored in the country. He should make sense and again unite the Panamanian people," he has said.

The Panamanian Construction Board [Capac] has asked the construction workers to lift the strike in order to preclude further losses. Lopez has said that they are considering the possibility of lifting the strike but that they will meet with the Capac leaders today, 14 August, to present to them the strikers' position. He has warned, however, "there is no going back and the strike remains firm."

Meanwhile, the striking organizations yesterday released a communique rejecting the proposal by Education Minister Pablo Thalassinos to penalize the secondary school and University of Panama students who participated in the protests against the reforms. The striking organizations also severely criticized the "position of surrender" of FENASEP [National Federation of Public Employees' Associations], ASEUPA [Association of Panama University Employees], and APUDEP [Association of University of Panama Professors] leaders, who have also turned executioners of University of Panama students and workers by demanding "penalties"

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against those who lift the banners of the defense of the labor union's struggle.

To become law, the reforms must be signed by the executive and later published in the GACETA OFICIAL.

In addition, the Arnulfist Party has released a communique "vigorously and flatly" rejecting the approval during third debate of the "antihistoric" Labor Code reforms and the "docile and discredited PRD [Democratic Revolutionary Party] steamroller and its unconditional supporters in the Solidarity Party."

The communique also stated: "The stubborn persistence to mercilessly impose the infamous labor reforms, violating freedoms and trampling underfoot human rights and principles for which the Panamanian people have fought and keep fighting, confirms the ruling government's repressive and militaristic nature and makes President Balladares, his ministers, and the government lawmakers responsible for the violent deaths, social and economic confusion, social insecurity, and national disorder we are experiencing."

President Signs Labor Reform Bill

PA1408201095 Panama City Telemetro Television Network in Spanish 1730 GMT 14 Aug 95

[From the "Telemetro Reports" newscast]

[FBIS Translated Text] Finance Minister Olmedo Miranda has confirmed to this station that President Ernesto Perez Balladares has signed into law bill No. 86, which regularizes and updates labor-management relations. The minister has said the law was published in the GACETA OFICIAL today:

[Begin Miranda recording] Certain state matters need to be handled expeditiously, while others do not. In view of the present situation, the country in general has expected a quick decision on this matter. I am taking the opportunity to say that because the amendments are already law, we cannot be held hostage, so to speak, by certain minorities who want to remain on strike and subject the country to the—let us say undesirable—reactions of those who want to take to the streets for very personal purposes. [end recording]

According to law, the president has as much as 30 days to sign into law or veto a bill approved by the assembly, but the Labor Code reforms were published in today's GACETA OFICIAL, an action which makes the document law.

Labor Leaders: New 'Strategy for Struggle'

PA1308170695 Panama City LA PRENSA in Spanish 13 Aug 95 p A-1

[Report by Ibeth Vega G.]

[FBIS Translated Text] Saul Mendez, SUNTRACS [Single National Union of Construction and Related Workers] secretary of defense, announced yesterday that leaders of the 49 organizations that oppose the labor reforms will design this weekend the new "strategy for struggle" for workers to implement as of tomorrow, 14 August, in all the country's streets.

Mendez said the new strategy for struggle, beginning tomorrow, "is intended to leave on record our strongest protest over the approval of the reforms."

"Those who believe this struggle ends with the approval of the reforms during the third debate or with the sanction by (Ernesto) Perez Balladares are mistaken. This struggle is long term; it is not an eight or nine-day struggle but, rather, a struggle for life until we recover our rights," Mendez said.

Workers who oppose the Labor Code reforms marched peacefully to the Legislative Assembly where they held a series of meetings to condemn the labor amendments proposed by the government and approved by the majority PRD [Democratic Revolutionary Party] legislature.

Small delegations began arriving early in the morning at the areas close to the Legislative Assembly where the third debate of the labor reforms was taking place.

Once again the Legislative Assembly was guarded by riot police armed with truncheons, tear gas, and protective shields.

The protest was peaceful, and after the meeting, in which Genaro Lopez, Gabriel Castillo, and Jose Morris participated, the delegations withdrew but not before stating they would take to the streets tomorrow, 14 August, to protest.

Leaders of the 49 organizations that oppose the reforms reiterated the indefinite strike continues no matter what.

Top SUNTRACS leader Genaro Lopez reiterated to the president that his last chance to vindicate himself with the working people is by vetoing the reforms.

"This struggle once again indicates the union movement's unyielding desire to defend its rights whatever the cost," Gabriel Castillo said.

The union leaders also criticized the "self-censorship," according to them, certain media imposed during the crisis that led to the indefinite strike, which is in its 10th day today.

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He also denounced the presence of agents of various state security organizations infiltrated into the demonstrations and protests, with a view to creating violent situations to discredit the union movement and to justify repression.

Police sources reported the arrest of one of the demonstrators for the possession of two .38-caliber firearms.

Passage of 'Antihistoric' Reforms Rejected

PA1408150095 Panama City LA ESTRELLA DE PANAMA in Spanish 14 Aug 95 p B-15

[FBIS Translated Text] In a communique signed by its president, Mireya Moscoso, and its Political Committee, the Arnulfist Party has expressed "vigorous and total rejection of the passage, following a third debate, of the antihistoric [antihistoricas] reforms."

The communique adds that the manner in which the modifications were imposed "confirms the repressive and militaristic nature of the current administration" and places all of the responsibility in the government's hands.

Some say the government has lost confidence because of its attitude toward the labor law, and they point out that this is due to "the arrogance and senseless stubbornness" with which it has placed the people on the verge of a crisis of fatal consequences.

The Arnulfist Party opposes the current PRD [Democratic Revolutionary Party] administration, which won the general elections during the past administration with 30 percent of the vote.

Blaming the government for the effects of its decision, the Arnulfists summon the people "to decisively support the workers' struggle to end the excesses and abuses affecting us and to defend our weak and threatened democracy."

Doens on Illegal Foreign Workers

PA1408151795 Panama City LA ESTRELLA DE PANAMA in Spanish 14 Aug 95 p A-1

[Report by Esteban Huertas G.]

[FBIS Translated Text] According to statistics maintained by private institutions and the Labor Ministry (MITRABS), an estimated 10 percent of Panama's work force is comprised of foreigners, illegal aliens among them, primarily from the Dominican Republic, Colombia, Taiwan, and Japan.

Labor Minister Mitchell Doens has told LA ESTRELLA DE PANAMA that the Labor Code reforms approved on 12 August seek to define strategies that will put an end to foreigners working illegally in the country. Doens has said the new labor law contains rules that limit business activities for nonnationals and creates a framework of protection for Panamanian workers.

According to the labor minister, the law states that when a new firm is established, especially if it is a foreign firm, and requires "technical and qualified personnel," foreigners can fill those positions in the absence of "national labor."

Doens added that this measure, which is established in the current Labor Code, has been maintained in the reforms because there may be technologies for which there are no experts in the country.

Doens has said that the Labor Code reforms approved by the Legislative Assembly "are wise" and that there is no reason to change them.

According to Doens, the MITRABS statistics indicate that approximately "2,500 permits annually" are granted to firms requiring highly qualified workers.

Doens has said the highly qualified workers who enter the country come from Japan, Taiwan, Colombia, and the Dominican Republic.

Castillo: Approval Does Not End Strike

PA1408153195 Panama City LA ESTRELLA DE PANAMA in Spanish 14 Aug 95 p A-1

[Report by Esperanza Navarro Francois]

[FBIS Translated Text] Approval of the Labor Code reforms during the third debate does not end the indefinite strike, which 49 organizations have been holding for 10 days, but it stresses new strategies to hinder the president from sanctioning the bill, union leader Gabriel Castillo, one of the main opposers, said yesterday.

Castillo said certain sectors of the Tripartite Commission have stated the strike would end after the labor reforms were approved. The only ones having this power are union leaders Saul Mendez, Genaro Lopez, Jose Morris, and Castillo himself.

Although it has not come about, the union leaders are considering a march to the Presidency of the Republic today.

Castillo said the CTRP labor unions will continue the strike although Aniano Pinzon, union leader of the Confederation of Workers of the Republic of Panama (CTRP), has called an end to it.

In addition, the food industry, the Union of Elevator Maintenance Workers [Sindicato de Mantenimiento de Elevadores], and other organizations are joining the

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strike and reiterating their support to the labor sector until the objectives set by the labor unions are achieved.

Meanwhile, members of the Union of Chiriqui Land Company Workers (SITRACHILCO) traveled to Chiriqui Province yesterday to inform banana workers of their full support to the upcoming actions to continue the strike.

SUNTRACS [Single National Union of Construction and Related Workers] attorney Antonio Vargas has said a suit will be filed against the National Police at the Office of the Public Prosecutor for "theft and personal injuries," because many of those arrested have denounced that their money and jewelry were taken away.

Meanwhile, SUNTRACS' main leader, Genaro Lopez, has urged SUNTRACS members to go to their work sites for instructions from their leaders.

Lopez has also urged the executive branch not to waste its only opportunity to vindicate itself with the Panamanian people by issuing a veto against the labor reforms.

PRD's Business Front Defends Reforms

PA1408161095 Panama City LA ESTRELLA DE PANAMA in Spanish 14 Aug 95 p B3

[FBIS Translated Text] **The Business Front of the Democratic Revolutionary Party [PRD]**

Communique to the Nation

The Business Front of the PRD wants to make its position clear regarding the reforms to modernize the Labor Code, thus participating in analysis of the reforms being conducted by all of society.

During the 1994 presidential campaign, Dr. Ernesto Perez Balladares methodically explained our party's political platform, which was summarized in a document entitled **Ideas for Action** which included an outline of a social philosophy and an economic policy whose mainstay was the **modernization** of the nation.

Then, in his first speech to the nation, the president of the Republic reiterated his election promise when he said that his first government actions would be aimed at beginning, with firm and steady steps, the modernization process as follows:

—**Privatization of state-owned companies,** modernizing them technologically without any reduction in the scant financial resources of the state.

— The **generalization of tax incentives,** aimed at incorporating Panama in the competitive international market with a possibility of success.

— **Modernization of education,** whose aim is to make our education system adequate to the new demands of the labor market, and other measures that were fully supported in the **Public Policies for Integral Development** document.

The modernization of labor relations is an integral and inseparable part of the set of measures that the administration has been carrying out, **and in this case is aimed at fighting against unemployment,** thus keeping one of the most firm commitments Dr. Ernesto Perez Balladares acquired to the most poverty stricken. In effect, the reforms are aimed at creating conditions favorable for local and foreign investors, **to generate new jobs** which society, especially our youth, so urgently demands. This is not about undermining the victories and rights of those **who already have work,** but about creating new jobs **for those who do not have a job.**

The policy of dialogue fostered by the administration, which implies the participation of all sectors in a negotiated adoption of a strategy which will lead to the strengthening of democracy through economic growth and social development, **is the only possible path toward the harmonious progress of the Panamanian nation.** Although we must acknowledge that it is a difficult path and filled with obstacles, as we have witnessed this last week, we have also confirmed that it is the least costly of all possible roads.

For these reasons, the Business Front of the PRD rejects all positions which try to **impose** intransigent and exclusive criteria, and completely supports the actions taken by President Ernesto Perez Balladares to achieve the worker-owner agreement that will provide the nation with a Labor Code which will be an effective instrument in the struggle against unemployment.

For the Board of Director of the Business Front of the PRD

[signed] **Mayor Alfredo Aleman**

National Secretary

Personal Identification No. 8-136-190

Panama City, 11 August 1995

Union Leaders Announce 'Actions of Force'

PA1408174495 Panama City EL SIGLO in Spanish 14 Aug 95 p 12

[Report by Jose Gonzalez Batista]

[FBIS Translated Text] SUNTRACS [Single National Union of Construction and Related Workers] union leaders have announced more "actions of force" for

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today in order to make Panamanian President Ernesto Perez Balladares veto the law on Labor Code reforms. Meanwhile, it has become known that the 12-day strike has resulted in losses surpassing 10 million balboas.

SUNTRACS union leader Saul Mendez has said SUNTRACS workers will continue taking actions of force although the Legislative Assembly approved Bill No. 86 on Labor Code reforms during the third debate.

Mendez, who is in hiding, has said SUNTRACS "will not give up" until President Perez Balladares issues a presidential veto against the aforementioned bill, because "it is detrimental and harmful" to the country's workers.

On 12 August during an indefinite strike by the labor sector, the plenum of the Legislative Assembly approved Bill No. 86 on Labor Code reforms during a third debate with 37 votes in favor, 32 against, and one abstention.

The leader of the 49 labor unions that oppose the reforms did not disclose the "strategies and actions" they will initiate today in order to obtain their aspirations and achievements.

Mendez did not reject the possibility, however, that actions might include street demonstrations throughout the country to "make clear their strongest opposition to the approval of the Labor Code reforms."

SUNTRACS and SITRACHILCO [Union of Chiriqui Land Company Workers] workers began on 4 August an indefinite strike, which is reaching its 12th day today and has resulted in multimillion losses, four deaths, people injured, and over 400 detainees.

Mendez has disclosed that the struggle of the country's workers to achieve their labor objectives "will not cease" with the approval of the reforms and that, therefore, they will exercise pressure to prevent the law from being sanctioned and enforced.

Union leaders Saul Mendez and Genaro Lopez are hiding in view of reports that the repressive Panamanian authorities have arrest warrants against them for leading a series of actions that have caused regrettable events.

Available reports state the strike has most affected the banana sector, the daily losses of which amount to approximately 700,000 balboas, and has also caused losses in the construction sector.

The farms in Puerto Armuelles and Bocas del Toro are under the danger of destruction due to the lack of maintenance and care of the crops as a result of the strike.

The Panamanian Banana Association (ABAP) has made these remarks, adding that the banana sector is undergoing its worst crisis in this century, because the strike has paralyzed the country's main agricultural export sector.

The General Central Organization of Panamanian Workers (CGTP), the leader of which is Mariano Mena and which includes approximately 70 labor unions, announced today the end of the strike and said normal work activities would be resumed today.

Cocle Province Unions Not To Join Strike

PA1408201895 Panama City EL PANAMA AMERICA in Spanish 14 Aug 95 p A-4

[Report by Julio A. Carles]

[FBIS Translated Text] The member groups of the Union of Workers of Sugarcane and Related Products (UNITRACD) and the Union of Workers of Packages and Food Products (SITEA) of Cocle Province have decided not to join the 48-hour strike, which could be extended.

Eusebio Moreno, UNITRACD secretary general, has said this organization's board of directors has decided not to join the strike and has said they will remain on alert in light of current events in the country.

This group comprises approximately 2,668 union members in the sugarcane sector. Meanwhile, SITEA did not proceed with the strike scheduled for 11 August, an action which could have affected a large number of milk producers in the region.

Meanwhile, the Union of Agroindustrial Workers of Sugarcane and Related Products and the Confederation of Agricultural Groups of Cocle Province have decided to stage a rally at the 19 October Square in Aguadulce. This rally will leave from this group's offices, located in Llano Bonito, Pocri, Aguadulce.

CGTP, CTRP Pleased With Reforms

PA1408201995 Panama City EL PANAMA AMERICA in Spanish 14 Aug 95 p 1

[Report by Juan Manuel Diaz C.]

[FBIS Translated Text] Mariano Mena, secretary general of the General Central Organization of Panamanian Workers (CGTP), said yesterday that his organization suspended the strike it had decreed because the Legislative Assembly had approved the Labor Code reforms bill in the third debate, just as had been agreed upon with the members of the Tripartite Commission.

Mena said that the labor reforms approved by the Assembly are favorable for the workers and due to this

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the CGTP decided to suspend the strong-arm tactics adopted last week.

The labor leader explained that the labor sectors represented in the Tripartite Commission at all times opposed the articles they deemed harmful to the workers' achievements, and that a considerable number of those achievements were preserved at the negotiations table.

Mena said that it is necessary to report nationwide on the reforms, their scope, and possible repercussions on national life, but it is up to the government to do this.

The CGTP, which combines approximately 27 organizations and approximately 45,000 workers, decreed a strike last week when the Assembly introduced a series of changes to the reforms on which there was consensus.

In Mariano Mena's opinion, the reforms contain positive aspects which, if correctly applied, will improve work conditions and could foster the creation of new sources of employment.

Meanwhile, the Confederation of Workers of the Republic of Panama (CTRP) has also ended the 48-hour strike it decreed last week.

Castillo Announces Strike To End 15 Aug

PA1408205395 Panama City Circuito RPC Radio in Spanish 1930 GMT 14 Aug 95

[Report by Rodolfo Rivera from the Hotel Europa in Panama City — live relay]

[FBIS Translated Text] A few moments ago Gabriel Castillo, secretary of defense of the Authentic Confederation of Independent Workers, on behalf of the 49 labor unions opposed to the labor reforms, announced the suspension of the general strike they initiated on 3 August.

Castillo said that henceforth the unions will wage a struggle of resistance against the law that reforms the Labor Code, and that as of 0700 on 15 August the workers will return to their jobs.

[Begin Castillo recording] Since the president of the Republic, hastily and almost secretly approved the law that reforms the Labor Code, we feel that the time has come to lift the national strike and to move on to a struggle of resistance against the execution of the changes that have been imposed. Therefore, the lifting of the national strike will be effective as of 0700 tomorrow.

As for the unions affiliated with the CTRP [Confederation of Workers of the Republic of Panama], the CGTP [General Central Organization of Panamanian Workers], CGT [General Federation of Workers], and others who joined the strike and have maintained it against the will of the union hierarchs, we ask them to lift the strike along with us, their working class brothers. [end recording]

'Fight of Resistance' To Begin

PA1408230695 Panama City Circuito RPC Radio in Spanish 2203 GMT 14 Aug 95

[Report by Carlos Somoza Garcia]

[FBIS Translated Excerpt] The 49 union organizations opposing the Labor Code reforms have lifted the indefinite strike they maintained for 11 days. At a news conference, the union leaders affirmed that they will now begin a fight of resistance. The lifting of the strike will start at 0700 hours on 15 August. After this announcement was made, a group of union members belonging to the Single National Union of Construction and Related Workers [Suntracs] headed toward the offices of the Panamanian Construction Board [Capac] to negotiate the return to work.

Both Suntracs leader Genaro Lopez and Capac leader Jose Felix Jelensky signed an agreement, in which businessmen pledged not to take reprisals against the workers who supported the strike.

[Begin unidentified speaker recording, in progress] ...the Suntracs reached an agreement to end the strike our sector declared on 4 August. This agreement was reached in an effort to resolve the problems that we were facing in our industry and that were having repercussions throughout the country.

The union has pledged to, starting at 0700 hours on 15 August, start working and helping, with all its efforts, to improve production and to make up for the days we lost. It is important to keep our sector stable, because we all depend on it, in one way of another. This is how we all understood it, and we are announcing that we will go back to work starting on 15 August. This is why we are signing a five-point agreement, in which the Capac commits itself, as an organization, not to take reprisals against or fire the workers who participated in this strike. [end recording]

It is worth mentioning that, according to businessman Jelensky, the days the workers opposing the labor reforms failed to work will not be paid. [passage omitted] on ACAN-EFE report]

According to businessmen's estimates, during the first day of the strike... [pause] approximately $60 million were lost during the 11 days the strike lasted. Serious demonstrations left four people dead, dozens wounded, and 500 arrested.

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Doens Welcomes Decision To End Strike

PA1508003695 Panama City Circuito RPC Television in Spanish 2300 GMT 14 Aug 95

[Report by Orlando Mendieta from the "RPC Television News" newscast]

[FBIS Translated Text] Labor and Social Welfare Minister Mitchell Doens said today that the Suntracs [Single National Union of Construction and Related Workers] decision to end the strike will make it possible to normalize the labor situation and bring stability to the country.

[Begin Doens recording] I really think that the Suntracs leaders have heeded the call by the people, the general uproar against confrontation or violence. I personally view it as a positive decision. [end recording]

Regarding a possible challenge to the constitutionality of the labor reforms, Doens said this is a legal right. He added that there have been no winners or losers.

[Begin Doens recording] The opposition said the government was running a high risk of paying the consequences in the elections. We know perfectly well what we are doing. We know perfectly well where we are going. We know perfectly well the negative and positive aspects that the whole package of measures may contain. In the end, everything we have done is aimed at seeking a solution to the fundamental problems of the country, namely, unemployment and poverty. [end recording]

Doens affirmed that the government did the right thing regarding the reforms and that at the end of the day the facts will tell. He added that the government has already began to work to bring more investments to the country.

[Begin Doens recording] We have taken significant steps and made specific agreements with foreign companies involving ports and other major projects in the country. The president will begin a tour in Asia, where a series of agreements will be reached with investors interested in the geographic location of our country to increase their businesses and trade relations. [end recording]

Legislators Satisfied With Strike End

PA1508014495 Panama City Circuito RPC Television in Spanish 2300 GMT 14 Aug 95

[Report by Alexander Calderon from the "RPC Television News" newscast]

[FBIS Translated Text] Legislators have stated their satisfaction with the lifting of the construction workers' strike. Following the lifting of the labor strike called by the Single National Union of Construction and Related Workers [Suntracs], opposition and government legislators believe that the labor organization fulfilled its duty, although government legislators say the real objective of Suntracs was politically-motivated.

[Begin recording] [Legislator Miguel Bush] It will permit them in the near future to have their political party. That is a correct opposition.

[Unidentified reporter] Do you think that was the object behind the whole thing?

[Bush] Of course. If you read the proclamation by the 29 November National Liberation Movement, which I think it is called, it is a proclamation that coincides with this. They speak of a workers' insurrection. [end recording]

For its part, the opposition says that Suntracs sincerely defended out on the streets the interests of the worker class and that it never had a political objective, to which it is entitled, nonetheless.

[Begin Legislator Alberto Cigarruista recording] They did everything possible to avert a strike. They adopted a responsible attitude, which was to defend their interests. If they decide to form a party, they are entitled to do so. They are Panamanians. Just as in Argentina there is a party of retirees to defend the rights of retirees, here in the country there could be a party of the workers, something I would look upon with much satisfaction. [end recording]

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Argentina

Menem Meets Brazilian Finance Minister Malan

PY1508035295 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2242 GMT 14 Aug 95

[FBIS Translated Text] Buenos Aires, 14 Aug (NA) — Brazilian Finance Minister Pedro Malan emphasized this afternoon that his country and Argentina "may share macroeconomic stability, with a sustained medium- and long-term growth in GDP, investment, and employment."

After meeting with President Carlos Menem at Government House, Malan said Brazil "is observing Argentina's development with increasing interest." "And I am sure that Argentines are doing the same with Brazil," he noted.

The Brazilian finance minister pointed out: "This is part of a process, one involving the establishment of a common economic space among countries of the region."

Malan noted that today he met his "old friend," Foreign Minister Guido di Tella, and on 15 August he will meet Economy Minister Domingo Cavallo, with whom he will have lunch.

Malan, who made remarks to the journalists and did not want to respond to any questions, said Menem "was extremely kind to receive me" before tomorrow's working meetings with Cavallo.

Concerning the decision to be made on the car exports quota issue, Malan made note of "President Menem's superb speech at the Asuncion [Common Market of the South — Mercosur] meeting." Malan said: "What really matters is that we are pursuing a very firm common market process."

The Brazilian finance minister pointed out: "I am convinced that there is not a single problem — and I want to emphasize this — that cannot be resolved through talks, the exchange of opinions, and preliminary consultations to prevent unilateral actions by any of the sides involved."

The Brazilian finance minister emphasized that "this was the spirit of the talks that I held" with President Menem and Minister Cavallo, who participated in the meeting.

Malan noted that "one of the most important issues" he will discuss with Cavallo on 15 August "involves exchanging information on the development of the respective economies."

The Brazilian finance minister emphasized: "This is fundamental because we are deeply convinced that Argentina's success represents a success for Brazil and vice versa, bearing in mind our current integration level."

More on Menem's Remarks on Economy, Unemployment

PY1508024795 Buenos Aires BUENOS AIRES HERALD in English 11 Aug 95 pp 1-2

[FBIS Transcribed Text] (DYN-NA) Promising that the worst of the economic crisis is passing, President Carlos Menem yesterday unveiled a package of measures to fight unemployment and reduce the suffering of the jobless, including controversial cuts in employer social security contributions and more than one billion in social programmes.

In a 25-minute speech at Government House, Menem said that the social proposals, which he assured will affect upwards of 800,000 of the more than two million unemployed, include:

— Spend 650 million pesos in national funds backed by international aid money to held families of unemployed parents meet basic needs;

— Spend 400 million pesos for an emergency food programme;

— Set up a scholarship programme to train the unemployed with new skills;

— Create a special fund — intially endowed with 36 million pesos — for neediest families in the poorest 100 districts in the nation;

— A plan for a neighbourhood improvement programme in growing areas that will affect 50,000 families.

"I have no doubt that we will overcome this crisis ... workers, business people, professionals, technicians and scientists ... in every crisis there is an opportunity," Menem said during his presentation.

Menem also announced a number of proposed measures to combat tax evasion to boost government revenues. The president said businesses will be required to prove that they have paid their taxes in full by following a new procedure that will be simpler for tax officials to track. Among other things, businesses will be required to use specially designed cash registers. Menem also said stocks will no longer be allowed to be held anonymously, a longstanding tax evasion tactic in the financial world.

The proposed cuts in social security contributions, intended to reduce businesses' costs and encourage employers to hold on to workers, could have businesses between seven and 20 percent on payroll costs.

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Economy Minister Domingo Cavallo announced that income taxes will drop next year. Starting January 1, 1996, income will be taxed at a starting rate of six percent down from 11 percent, and the first 2,000 pesos of income will be non-taxable.

Cavallo said social welfare funds will be assured revenue of 30 pesos per member to compensate for the drop in payments made by employers.

In that same vein, companies that hire workers over 55 will be exempted from paying any social security taxes.

Unions critized the reductions claiming that companies always get breaks during tough economic times and the cuts will hurt worker benefits. But the president vowed that benefits would not be affected. "We have a commitment to extend medical coverage and unemployment benefits, particularly to heads of households over 40 years old who have not taken advantage of their benefits."

Business leaders applauded the president's plan as thorough, rich in needed social programmes and including important incentives to businesses.

Union leaders said they doubted the measures would boost employment or even curb ongoing layoffs.

Moments before Menem spoke, CGT [General Confederation of Labor] union leaders vowed to go ahead with their national strike September 6 and agreed with Catholic Church criticism of the government and its economic policies.

In a speech that mixed emotion, politics, and strategy, Menem said he is facing the problems of the nation as a steady statesman: "I don't want to be an opportunist or a demagogue. I prefer to use every challenge as a way to improve our reality, and to transform the future. Others prefer the easy way out and demagoguery. Only history will judge who was correct."

The cuts in employer contributions will be implemented starting on September 1 and completed by the new year. Reductions will amount to 30 percent in greater Buenos Aires and rise to 80 percent in the poorest provinces. Yesterday's announcement comes on the heels of the president's job-creation plan announced last week of millions of pesos in public works projects, including the construction of several major bridges, a new B.A. airport and an expanded city subway system.

Menem Cites Measures for Agricultural Sector

PY1408160295 Buenos Aires TELAM in Spanish 2011 GMT 12 Aug 95

[FBIS Translated Text] Buenos Aires, 12 Aug (TELAM) — Opening the 109th International Livestock, Agricultural, and Industrial Show, President Carlos Menem today announced a series of measures to improve the situation of the agricultural and livestock sectors.

"We are implementing a plan to renew agricultural machinery involving the financing of up to 70 percent of the cost through the Bank of the Nation with a line of credit granted by the Foreign Investment and Trade Bank."

"We will make available 180 million pesos. The loans will be repayable over five years at 12 percent annual interest rate."

"We decided to assign" a line of credit "totalling at least $200 million for sowing grains that will benefit the producers of maize, sunflower, soybeans, sorghum, and millet. This line of credit will have a really acceptable interest rate."

"The quotas have been increased for this line of credit and this will permit a greater use of fertilizers. For example: For the production maize there will be a quota of 151 pesos when it applies to a landowner and 177 pesos when it applies to a tenants or sharecroppers."

"We are continuing our policy of rationally using our fishery resources. Within a few months we will implement a system of control by satellite and radar on the fleets operating in our seas. This will make Navy and River Police control more efficient."

"It is quite possible that by 1999 Argentina will produce 60 million tons of grains and 9 million liters of milk per year. We hope to be exporting one million tons of beef and 800 million pesos worth of fruit."

"We believe that by 2000 agricultural and fishery exports could amount to 12.5 billion pesos, some 40 percent more than the present."

Cavallo on Aid for 'Crisis-Hit' Regions

PY1508021095 Buenos Aires BUENOS AIRES HERALD in English 12 Aug 95 pp 1-2

[FBIS Transcribed Text] (DYN-NA) Economy Minister Domingo Cavallo last night revealed that the third package of job-making measures President Menem will announce next week includes "credit for crisis-hit regional economies."

The announcement aimed to take some of the wind out of the sails of the centre-left Frepaso [Front for a Country in Solidarity] alliance, which yesterday insisted the measures thus far announced will not roll back unemployment because they do not solve the problems of the regional economies and small and medium

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businesses, which are the biggest job-generators, or correct the regressive taxation system.

Earlier yesterday, Labour Minister Armando Caro Figueroa announced in a radio interview that the government will increase the family allowances of low-paid workers and eliminate those of people in the high-income bracket. He did not specify the size of the allowance hikes, nor what will be considered a "high" salary.

Instead of family allowances, well-paid workers will receive "training bonds," which will amount to an obligatory savings account in a bank or private retirement fund, from which they will be able to withdraw money in case of a family emergency, or when they need training or special education for their children.

The government yesterday issued two jobs-related decrees — one exempting employers from paying social security taxes on workers over 55, and the other creating three new Labour Ministry secretariats and undersecretariats to deal with employment matters — and sent to Congress a bill whereby youngsters beginning work must be at least 16.

Caro Figueroa also announced government tree-planting programmes in the interior and community service jobs with the Army and other government institutions, in which workers will be paid 200 pesos monthly for a full days's work, and 100 pesos for part-time work. Asked about the poor salaries, he said "in the interior, that amount of money can solve some of the problems of a lot of families."

The government's latest make-work and welfare-oriented social programme was received with skepticism by most unionists, who fear the gradual reductions in payroll social security contributions will bleed the social security system dry. SMATA [Trade Union of Mechanics and Related Automotive Transportation Workers] mechanics' union leader and Deputy Jose Rodriguez charged that the government's promise to compensate the money that the system will no longer receive, "is a lie because they're not going to do it because the State needs money to balance its books." The government's job-making plan is "more of the same and in the best of cases will give fruits in a year's time," he said.

Frepaso Senator Jose Octavio Bordon said it is a shame that the government couldn't see its way to reducing value-added tax, which "is an unjust tax that makes a retiree or unemployed person pay 14 or 15 cents extra for a kilo of sugar, just like someone who earns 50,000 dollars."

Cavallo Describes Ways To Combat Tax Evasion

PY1408194895 Buenos Aires TELAM in Spanish 0103 GMT 11 Aug 95

[FBIS Translated Text] Buenos Aires, 10 Aug (TELAM) — Economy Minister Domingo Cavallo today announced the reinstatement in January 1996 of a basic income exempt from personal income tax at the same value as it was in September 1993, when it was replaced by the retirement plan.

During a news conference, Cavallo explained that the tax-exempt basic income foresees a wage of about 2,000 pesos. The structure for taxable income has been reduced from 11 to 6 percent.

Giving a detailed explanation of the economic announcements President Carlos Menem made today, Cavallo said the administration will guarantee that no government-controlled health insurance company receive less than 30 pesos per head for the combined employee and employer social security contributions.

Cavallo explained that the money to fund these health insurance companies will come from the Solidarity Fund for Reallocation.

The economy minister said PAMI [Comprehensive Medical Assistance Plan] will focus on "good coverage for pensioners." Poverty subsidies given by PAMI will be financed with resources from the Social Security. This will reduce PAMI's monthly expenditures by 41 million pesos.

Cavallo added that PAMI will no longer provide health services to 498,000 non-contributory pensions; firms will be invited to tender for the provision of these services, which will be paid with Social Action funds.

PAMI will no longer render services for tourists; this will be handled in the near future by the Tourism Secretariat.

The minister explained that the reduction in contributions by employers will be gradual.

"They will be reduced by 10 percent in September and October, another 10 percent in November and December; and another 10 percent as of 1 January 1996. Deductions will once again amount to 30 percent in the City of Buenos Aires and up to 80 percent in the furthest provinces," he said.

Cavallo continued that the registration of shareholders "seeks to achieve exactly the opposite to an amnesty on the return of flight capital."

The minister argued: "Those operating on the black market will have no alternative but take advantage of

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the amnesty and register with the General Directorate of Taxation of their own accord," since "we want to prevent the laundering of drug money. We are not interested in that ill-gotten money."

Accompanied by Economic Planning Secretary Juan Llach and Finance Secretary Ricardo Gutierrez, Cavallo announced that — in a move to fight tax evasion — the government will order the mandatory installation of cash registers with "inviolable memory" in retail shops.

He said this new regulation will be phased in and that it will start with those retail businesses suspected of evading taxes.

The economy minister announced that the Menem administration will establish the mandatory presentation of a tax compliance certificate to make some transactions like requesting a bank loan.

Cavallo said deductions from gross income for income tax purposes "will have to be accounted for with receipts." Those who fail to present receipts will pay 21 percent in VAT on the difference.

"This will prompt taxpayers to request receipts when purchasing something, which will in turn help to combat tax evasion," he said.

He said the decision on the submission of receipts "is applicable as of this year. We are already in August, so at least 30 percent of expenses deducted from gross income to determine taxable income will have to be accounted for with receipts."

Cavallo said: "An economic reform for each province facing problems will be ready in one or two weeks. It will be complemented with aid to restructure private companies involved in production."

Industrial Sectors Complain, Expound Demands

PY1408184795 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1106 GMT 11 Aug 95

[FBIS Translated Text] Mar del Plata, 11 Aug (NA) — While submitting their reports during the Second Industrial Conference, various industrial sectors demanded measures from the government to stimulate exports and to safeguard production.

Horacio Losoviz, president of the Association of Motor Vehicle Manufacturers, admitted that the motor vehicle industry has "privileges," but indicated that those privileges added 17,000 jobs, reduced the prices of vehicles, and contributed 2.5 billion pesos to the tax office in 1994.

Delivering his report, Losoviz indicated that the motor industry contributes 13.5 percent of the GDP, adding that factories, the spare parts sector, and sales outlets employ 90,000 persons.

"We reduced the cost of automobiles from 17 to 9 industrial salaries and introduced, over a 2 year period, the same number of new models as were launched as in the previous 10 years." He thus described the protection system for the vehicle industry that was implemented by the Argentine government.

Guillermo Moreno, executive director of the Center of Steel Industrialists, requested effective antidumping measures and current anti-subsidies. He pointed out the need to "decrease the cost of bank intermediation."

Moreno pointed out the need to defer VAT payments where investment is concerned. At the level of Mercosur [Common Market of the South], he demanded that "tax difference continue to be eliminated" among the four countries that make up the common market.

Mario Fridman of the Federation of the Lumber Industry said that to develop the sector and attract investment, the government "must take action regarding taxes, labor, financial, and tax costs, and the growth and development of the PyMES [Small and Medium-Sized Enterprises]."

He also called for a tax and social security moratorium for the PyMES sector, the easing of conditions to promote the development of river and railway freight, and the obligation to use non-returnable wooden packaging in the food industry, which was questioned by the audience.

Carlos Bueno of the Footwear Industry Chamber stated that it is necessary to "limit the import of these products from countries that are not members of GATT and to return to the previous system of reimbursements on footwear exports."

He explained that if the sector had the necessary support for exports "there would be a considerable increase in production and the value of the national raw materials would be multiplied. This would occupy thousands of technicians and workers in both the footwear industry and the industrial sector that supplies it."

Hugo Carassai from the meat packing sector said the government "is still unable to uniformly implement sanitation and tax measures," adding that "a marginal sector is growing."

He warned that the fight against foot and mouth disease "has advanced and it must not yet be believed that the fight has been won because there is still a lot to do to eradicate if definitively."

Rafael Gaviola, president of the Association of Manufacturers of Cellulose and Paper, stated that growth

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within the sector without resorting to large investment "is exhausted."

He stressed that to grow, to develop, and to achieve full potential, the sector needs access to sources with very large amounts of capital and to costs that are equivalent to those that exist in other parts of the world.

Finally, Ricardo Gonzalez Fuentes, president of the Graphics Industry Federation, pointed out the need to levy VAT on books that are printed abroad.

"To allow imports of graphic products without VAT and with a zero import tariff means the graphic industries of the rest of the world are being protected," Gonzalez Fuentes said.

Official Reports on Agreement With IMF Mission

PY1508012895 Buenos Aires BUENOS AIRES HERALD in English 12 Aug 95 p 7

[FBIS Transcribed Text] (DYN) The International Monetary Fund's mission currently visiting Buenos Aires agreed yesterday not to demand the annual fiscal suplus of 2.0 billion dollars which had been set as the target for this year, Economic Programming Secretary Juan Llach said yesterday.

The official also announced that negotiations with the IMF over the possibility of obtaining another year in the Extended Facilities credit programme are already underway, with the same constraint of a balanced budget.

The 1996 agreement "would not be a surplus programme but a balanced budget one," the official said.

At a press conference offered at the Economy Ministry last night, Llach said that the mission accepted Argentina's proposals of a balanced budget by the end of the year — "that is total revenue to equal total expenditure."

The official declared that control over public expenditure will not be eased but rather there it is adapting to a drop in revenue.

Llach pointed out that the high unemployment rate (18.6 percent) alerted the IMF team and was the reason an agreement was reached as the IMF felt that "Argentina should not be submitted to an over-adjustment."

As to the new tax revenue targets and the precise details of the agreement, Llach said that these will be made available next week and that Argentina's case will be discussed by the IMF board of directors at its meeting of September 27. He also said that a new mission will be arriving in Buenos Aires some time in November to check whether third-quarter targets have been met.

The mission headed by Martin Hardy left last night for Washington, were it will be submitting its report.

Llach assured that the anti-tax evasion measures announced by Economy Minister Domingo Cavallo on Thursday had been "well received" and that an agreement of sorts had been reached with the IMF team that "it is better to step up the fight against evasion rather than raise tax rates."

Trade Promotion Agreement Signed With Israel

PY1508034695 Buenos Aires TELAM in Spanish 2328 GMT 10 Aug 95

[FBIS Translated Text] Buenos Aires, 10 Aug (TELAM) — The Foreign Ministry has reported that Argentina and Israel today signed an agreement to promote bilateral trade, with the preferential participation of small and medium-sized enterprises from the two countries.

The agreement was signed by Marcelo Avogadro, the under secretary for international economic relations, and his Israeli counterpart, Amir Hayek, during a ceremony held at the Foreign Ministry.

Avogadro emphasized: "International cooperation between institutes promoting exports is essential today to achieve increased deals between PyMES [Small and Medium-Sized Enterprises]."

Hayek stressed: "This association represents a successful decision." He committed the cooperation of his institute (the Israeli Exports Institute) to permit exports of Argentine PyMES to Israel.

Spain Lauds 'Sensible Fishing' in South Atlantic

PY1408150695 Buenos Aires TELAM in Spanish 1647 GMT 11 Aug 95

[FBIS Translated Text] Buenos Aires, 11 Aug (TELAM) — A Spanish minister said in Buenos Aires today that the EU will take steps before the United Nations to implement the first model of "sensible fishing" in the South Atlantic that will contemplate nondiscriminatory control in international waters.

Luis Atienza Serna, Spain's agriculture, fishery, and food minister, today stated: "We must regulate fishing in international waters based on nondiscriminatory regulations adopted multilaterally by all those countries with fleets in those areas."

Atienza Serna, who also presides over the EU Council of Ministers of Agriculture and Fisheries, met with Economy Minister Domingo Cavallo today. Following the meeting he called a news conference at the Padilla Hall of the Economy Ministry.

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The Spanish minister spoke in favor of maintaining the 200-mile limit for each country's exclusive economic zone. He said Argentine fishery exports to the EU will increase in the next few years.

He forecast that Argentine fishery exports to the EU will "increase significantly" as of 15 December, when EU and Mercosur [Common Market of the South] representatives assemble in Spain to negotiate to establish a free trade zone between the blocs.

The Spanish minister said Argentine fish and sea products have "preferential access" to EU countries, particularly to Spain, on account of previously signed agreements.

Atienza Serna commented that "over the last four years, Argentine exports to Spain have more than doubled from about $300 million annually to more than $600 million."

He pointed out that "the fishing agreement between Argentina and Spain has been very productive," adding that "one-third of Argentine exports of fish and mollusks are sold to Spain."

Bolivia

Minister Says State of Siege Remains

PY1408140995 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 14 Aug 95

[FBIS Translated Text] Government Minister Carlos Sanchez Berzain asserted in Cochabamba that the state of siege will remain all the time labor unions continue to promote violence and oppose drug enforcement.

Sanchez Berzain said the state of siege is an effect not a cause. He added that there is agitation against drug enforcement and there are labor union leaders who suspend dialogue in order to incite the people to violence. The state of siege will continue in force as long as these causes prevail.

Pando Puts 'Sovereignty' Plan Into Effect

95SM0464A La Paz HOY in Spanish 14 Jul 95 p 2

[FBIS Translated Text] Cobija, EFE—The political leaders of the Department of Pando have approved a program which is the core of a plan called "sovereignty," which seeks to populate the areas bordering on Brazil. At present these areas are largely abandoned, and the illegal exploitation of timber there is expanding.

About 10 private companies, some of them partly foreign-owned, will be authorized to establish themselves in the Amazon jungle Department of Pando and conduct large scale programs for the exploitation of timber resources, according to a plan approved by the political leaders of the Department of Pando.

The authorization is the core of a plan called "sovereignty" aimed at populating the areas bordering on Brazil. At present these areas are largely abandoned and are subject to the illegal exploitation of timber resources.

The Forest Development Center [CDF] has prepared a study in which it defines the forest potential of the Department of Pando, the areas in which woodworking industries should be set up, and the zones which could be preserved to avoid a negative impact on the environment.

It is calculated that 12 companies will be authorized to participate in the project, although at least twice as many companies are interested in doing so. According to Jose Torrico, the director of the Forest Development Center, the "Sovereignty Plan" anticipates an investment of about $20 million.

In the assumptions which have been made it is also stated that the economic activity generated by these companies will be so substantial that the Department of Pando will be able to do without further state assistance. It has been dependent on such assistance since its establishment as a department, some 50 years ago.

Its Own Choices

Jose Torrico is the principal advocate of the project. He thinks that, "The period of dependence on state assistance has ended. Therefore, every area and every department is now forced to think about its own choices."

The director of the Forest Development Center, who has won praise from some people and criticism from others by taking this position, has said: "The Department of Pando has immense forest resources which, if they are exploited legally and rationally, can be the solution to our problems, not only on a regional basis but for the whole country. To achieve this, the only thing needed is a legal structure and specific plans for each of the companies involved, including investment and reforestation programs."

He said that the companies which will be authorized to operate in Pando, "Should present their programs and allow us to check their investment plans, especially in the field of reforestation."

The companies which decide to "establish a full industrial cycle in the Department of Pando, that is, those which do not merely limit themselves to selling the timber they cut down, will receive preferential treatment and will enjoy greater benefits" under the "Sovereignty Plan."

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Approval

The initiative taken by the Department of Pando has recently obtained government approval, after a visit to Cobija by Edgar Talavera, the under secretary of agriculture and livestock. An official statement has also been made by the Ministry of Sustainable Development which considers that, "The 'Sovereignty Plan' is an adequate solution under which the Department of Pando will escape its economic problems and those related to its backwardness."

In practice the plan is already under way, with work going on for the installation of sawmills by at least three companies from the Department of Santa Cruz, some of which are using advanced technology for the purpose of "exploiting not only the logs that are cut but all of the residue of trees useful for lumber."

However, in the view of some people's institutions, such as the Central Trade Union Organization [COD] of the Department of Pando and the University of the Amazon, there is resistance to these official plans.

Jorge Vega, executive director of the COD of the Department of Pando, has stated: "If they are thinking about permitting 12 companies to work in this area, certainly the ecological balance will be placed at risk. Furthermore, the most important aspects of this plan are reforestation and job creation, using for industrial purposes here all of the wood cut down in the Department of Pando."

Adolfo Mejido, the rector of the University of Pando, is so much opposed to the "Sovereignty Plan" that he did not attend the most recent meeting of the Board of Directors of the Forest Development Center.

Carlos Riss, the prefect of the Department of Pando, attributed Mejido's attitude to "the clear, political position of Nationalist Democratic Action [ADN], the political party with which he is affiliated. This party seeks to obstruct everything which the government does, however urgently it is needed and however much it is to the general benefit of the Department of Pando, which is the case."

Public Polled on Priority Concerns

95SM0464B La Paz HOY in Spanish 25 Jul 95 pp 8-9

[FBIS Translated Text] According to public opinion polls carried out by the company, "Encuestas y Estudios" [Polls and Research], the Bolivian people are concerned about three problems. With absolute clarity the economic crisis occupies first place among these concerns, followed by salaries and wages, and finally by the high level of unemployment.

The most recent public opinion polls conducted by the company, "Encuestas y Estudios," show that some 65 percent of the people believe that the principal problems at present are the economic crisis, salaries, and unemployment.

These data were made public in connection with the debate conducted some time ago between Jorge Quiroga, minister of finance under the previous administration, and Gaby Candia, the present secretary of the treasury.

Increase in Negative Views

Negative views about the present situation increased from 37 percent of those polled in November 1992 to 65 percent at present, a figure which was calculated when public opinion polls were conducted in June 1995.

In previous years the people responded to these polls in the following way.

In November 1992 37 percent of the people replied that the economic crisis, salaries, and unemployment are the problems of greatest concern to them. Some four months later, in March 1993, this figure went up to 44 percent. In December 1994 the figure went up again to 51 percent. In March 1995 the percentage declined to 47 percent, while in June 1995 it rose again to 65 percent.

Salary Increases Versus Inflation

On the other hand the information used by Quiroga in the debate referred to the fact that in the categories of health and education, although people previously received lower salaries, they nevertheless received increases higher than the rate of 73 inflation, thereby increasing their purchasing power. During the past two years this trend has reversed, and salary increases barely compensate for inflation. This situation has been worsened by the fact that salary increases previously became effective in March or April, whereas up to the present time in 1995 similar increases have not been approved.

Decline in Positive Indicators

According to the information provided, the following declines took place in some sectors of our economy:

- Fall in Gross Domestic Product [GDP] - The study warns that the present rate of economic growth is less than it was at the end of the previous administration in June 1993. (It fell from 4.3 to 3.8 percent of GDP during this period.)
- Less Public Investment - Public investment calculated as a percentage of GDP also fell by comparison with 1993 (when it was 9.8 percent of GDP). It is scheduled to amount to 7.3 percent of GDP in 1995.

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- Smaller Surplus in Bank Accounts - Private banks must deposit with the Central Bank a guarantee amounting to a variable percentage of the deposits which they receive. There is a gap in this connection "whose magnitude is not a matter for concern." However, it is significant because it shows why many businessmen complain about the "lack of liquidity" in private banks and about loans which cannot be paid back.
- Imports of Capital Goods in Terms of Total Imports - This ratio shows a decline in the import of capital goods as a percentage of total imports, which is a matter for concern. This figure was 43 percent in 1993 and 35 percent in 1994. This means that there have been smaller imports of machinery and less production for the growth and development of Bolivia.
- Economic Cooperation with the United States - The figures show accelerated growth in economic cooperation with the U. S. during the previous administration, followed by a pronounced fall under the present administration.

Brazil

Cardoso Postpones Official Visit to Colombia

PY1408132995 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 14 Aug 95

[FBIS Translated Text] Presidential Spokesman Sergio Amaral has announced that President Fernando Henrique Cardoso has postponed his trip to Colombia. He said the decision was made so the president can attend the petitions by Senate leaders who asked the president to remain in the country during the debates on the constitutional amendments.

[Madrid EFE in Spanish at 2100 GMT on 13 August carries a 200-word report datelined Brasilia which adds: "Newspaper reports last week state that Planalto Palace canceled Cardoso's first official visit to Colombia since his inauguration on 1 January as consequence of the crisis the Colombian government is going through and which directly affects President Ernesto Samper. Notwithstanding, the Brazilian Foreign Ministry released a note denying this version, pointing out that the trip was confirmed after the Colombian government crisis had unleashed when charges were raised that Samper received funds from drug traffickers to finance his election campaign."]

Cardoso, Senate Want To Modify Patents Bill

PY1408133095 Rio de Janeiro O GLOBO in Portuguese 11 Aug 95 p 22

[FBIS Translated Text] Brasilia — Foreign Minister Luis Felipe Lampreia yesterday informed the Senate Economic Affairs Committee that President Fernando Henrique Cardoso will support the alternate draft bill prepared by Senator Ney Suassuna (PMDB-PB) [Brazilian Democratic Movement Party-Paraiba] to replace the one approved by the Chamber of Deputies. This means the bill will not be approved by the end of the month as the executive branch wished. It will return to the Chamber of Deputies for more discussions. The best that can now be expected is that it will be ready for promulgation by the president by the end of the year.

Lampreia, and Science and Technology Minister Israel Vargas, went to the Senate to explain the patents bill. During the session, Senator Roberto Requiao (PMDB-PR) [Parana] reported on an alleged secret agreement between Brazil and the United States by which the Brazilian Government allegedly promised to approve a law favoring U.S. interests. Surprised, Lampreia said that over the past two years there had been several bilateral discussions during which it was always clearly stated that the final decision would be made by the Brazilian Senate.

"Brazil does not make secret diplomatic agreements because that is unconstitutional," said the foreign minister.

The Senate intends to modify the draft bill approved by the Chamber of Deputies even though the United States may retaliate, as warned by the two ministers. The United Sates purchases nearly 20 percent of all Brazilian exports. The United States can retaliate, according to Lampreia, by applying surtaxes on the main Brazilian exports to the United States, like orange juice, shoes, cellulose, and steel products.

Suassuna will exclude from his proposal the payment of royalties on the use of live microorganisms and will establish shorter terms for payments on patents. During the Senate yesterday's committee session, Minister Vargas said the executive branch agrees, as desired by the Senate, to lift the prohibition on parallel imports. With this, Brazil can purchase without restrictions directly from the main factory of the multinational company goods manufactured in Brazilian territory.

Here are the main points with which the Senate disagrees:

Biotechnology — The proposal approved by the Chamber of Deputies forbids the patenting of living beings except microorganisms. This exception is considered very extensive.

Pipeline — This is a protection mechanism for products still being developed in the laboratory. There is a feeling in the Senate that this instrument would be applied retroactively. The government asserts that this implies

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a late acknowledgement of rights, without an obligation to pay patent rights.

Pharmaceutics products — There is consensus within the Senate that new medicines are entitled to patents rights. However, the Senate wants to patent and exempt from taxes medicines manufactured from plants that can only be found in Brazil.

Parallel imports — Products similar to those manufactured in Brazil may not be imported. There is a fear that this can make national products more expensive and subject to economic abuse.

Governor Creates Group To Disarm Farmers

PY1508030195 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 14 Aug 95 p A12

[By Vannildo Mendes]

[FBIS Translated Excerpt] Vilhena — Rondonia Governor Waldir Raupp (PMDB) [Brazilian Democratic Movement Party] has created a special group of policemen to conduct a blitz in the Corumbiara region, where the Santa Elina Farm is located. During the conflict resulting from a clash between Military Police [PM] contingents and people who had occupied the farm last week, 11 people were killed. Gov. Raupp had been informed that the landless farmers had created armed militias.

The governor suspended permits for carrying weapons in the region. Weapons will be seized and the gunmen [jaguncos], whose imprisonment had been decreed, will be arrested. The operation will include participation by Federal Police agents, who will work permanently in the region now that a police precinct prepared to act in conflicts regarding land ownership cases has been created.

These measures were announced after the meetings Gov. Raupp held on 12 August with Justice Minister Nelson Jobim and Workers Party [PT] President Luiz Inacio Lula da Silva. The PT, which participates in the government, threatened to break the alliance if the governor did not adopt measures to punish those responsible for the police operation.

On 13 August, Gov. Raupp began contacts with the Incra [National Land Reform and Settlement Development] to define an area where the squatters who were expelled on 9 August could be settled. Dozens of testimonies indicate that gunmen have participated in the operation together with the policemen. On the afternoon of 13 August, four men tried to murder the squatters' leader, Claudemir Ramos, at the Porto Velho Regional Hospital, where he has been hospitalized with two bullet wounds to the head.

The Corumbiara tragedy has shaken the region and caused a lot of confusion, with different versions about the total number of deaths. Some witnesses assert that the PM has hidden bodies and there are reports that a man was dismembered with a chain saw.

The Colorado do Oeste parish has become a refugee camp. Nearly 300 people — including women, children, and the injured people who were allowed to leave the hospital — are occupying two sheds. Many of the children are still infants. Amid the confusion, a woman identified her son, whom she thought had been killed some days ago. [passage omitted]

Official: 'Excessive Violence' Against Squatters

PY1508033495 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 12 Aug 95 p A13

[Report by Vannildo Mendes]

[FBIS Translated Text] Colorado do Oeste — According to Inspector Alberto Laserre Hratzel Filho, of the Federal Police Central Coordinating Board, the Military Police [PM] operation to expel squatters from the farm that had been occupied in the south of Rondonia State has been illegal and resorted to unnecessary violence. Justice Minister Nelson Jobim asked Hratzel Filho to write a detailed report on the episode. As a result of the operation, 11 people were killed and more than 53 injured, some of them seriously. At least 25 squatters are still missing.

Hratzel Filho said: "The law clearly states that search warrants and eviction orders must be complied with during daytime." He pointed out that the policemen should never have conducted the operation early in the morning, before 0600, when the squatters were still sleeping. There were nearly 600 families on the occupied farm. Among them were women, pregnant women, and many children, several of them newborn infants. The inspector checked autopsy reports, listened to reports by injured people at the hospitals, and asked for information from those involved in the operation. The deplorable condition of the injured people deeply shocked him.

Hratzel Filho, who will include all the details in his report to Minister Jobim, said: "It is so evident that there has been excessive violence that there is nothing else to add." In his opinion, this may be the first case to be submitted to the newly created PF Human Rights Precinct. During the investigation, the inspector was shocked: Seven of the 11 people killed were shot at point-blank range, and three were shot in the back.

The eviction operation started at midnight on 8 August, when 187 heavily armed policemen pulled down

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tents at the encampment located 2 km from the occupied area. At 0300 on 9 August, they set out for the squatters' encampment. The group that stood guard at the encampment gave the alarm by ringing bells and lighting fireworks. What followed were violent scenes, including an intense shoot-out between policemen and squatters. Lieutenant Rubens Fidelis Miranda and soldier Ronaldo de Souza, who were heading the group of policemen, were the first to be shot.

Because they were less organized for combat and had less effective weapons, the squatters were overpowered after a 30-minute shoot-out and desperately attempted to escape through the forest. Infuriated by the deaths of some of their colleagues, the policemen advanced, shooting at every moving target. Those arrested were forced to lie on their stomachs while some policemen stepped on them, firing shots and hitting them with their weapons.

After bringing the situation under contol, the policemen arrested 355 squatters, who were tied to one another with ropes and forced to walk 20 km until they reached the town of Corumbiara, near the Santa Elina Farm, owned by farmer Helio Pereira Moraes of Sao Paulo, who had filed for the eviction of the squatters.

According to surviving squatters, their colleague Moacir Camargo was ordered to retrieve the bodies and to place them on a truck. They reported that after he completed this job, Camargo was shot in the back as he was getting on the truck in which he had placed the last body. Sixteen-year-old Adilson Rocha was also shot in the back after having surrendered. Both Camargo and Rocha were hospitalized in serious condition. Messias da Cruz was shot in the neck during the fight and, after surrendering, he was hit in the head. Because he complained, Jaime Alves was shot in the mouth. His condition is also serious.

In his report to the Justice Secretariat, Military Police Commander Colonel Wellington Luiz de Barros stated that unsuccessful attempts had been made the previous day to arrange a peaceful withdrawal of the squatters. He said: "At 0400 on 9 August, I ordered that the area be surrounded and that troops advance on the ground." He added: "Our troops were ambushed in a guerrilla-type action by snipers positioned in trees and in makeshift pillboxes."

Rondonia Vice Governor Aparicio de Carvalho stated that those responsible will be punished. He said: "It is a distressing situation for Rondonia and we cannot let the culprits go unpunished." In his opinion, the police action "was a shockingly monstrous action."

Northeastern Governors Unite in Tax War

95SM0465A Sao Paulo ISTOE in Portuguese 26 Jul 95 pp 32-35

[Article: "A Tax Mess"; introductory paragraph in italics as published]

[FBIS Translated Text] *The governors are stepping up their tax war, which has become predatory, and they are attacking the idea of controlling the incentives provided through the ICMS [goods and services movement tax].*

Last Monday, five state governors met at the governor's palace in Rio de Janeiro for a relatively innocuous discussion about taxes, but the meeting ended by igniting a bonfire of accusations around the country. Sao Paulo Governor Mario Covas should have been at the meeting, but he was not invited because Sao Paulo is viewed by the other states as a kind of imperialist citadel that draws everything into itself through the power of its economic engine—including industries that could very easily set themselves up in poorer states. According to his advisers, Covas was deeply offended at having been left out of the meeting, and from the Sao Paulo governor's palace there came the rumor that a siege of Sao Paulo industry was being plotted at the Rio de Janeiro meeting. The other governors have been engaged in a ploy that consists of attracting industrial firms by exempting them from part of the goods and services movement tax (ICMS) in what has come to be known as the tax war. Upon learning of a move by the Federal Government to prevent that war from continuing, they organized a resistance movement that has spread throughout the country over the past week.

Behind the scenes in the governors' palaces, it was being commented that the failure to invite Covas was a move by the governors to prevent a veiled conspiracy by other Sao Paulo politicians (Fernando Henrique Cardoso and Minister of Planning Jose Serra). The latter are said to be trying to protect their state and massacre the others using taxes as their weapon as follows: as part of a tax reform that is still under consideration, they would allegedly turn the ICMS into a federal tax to be collected and administered by Planalto Palace. By that means, the states would be prevented from granting tax benefits and would thus lose the opportunity to attract new industrial projects. Contrary to the situation today, firms would go back to setting up their plants in Sao Paulo. On Wednesday, the northeastern governors, meeting for a forum organized by the Northeast Bank in Ceara, explicitly condemned that attempt to centralize taxes and power. "The northeast cannot reduce the social and economic imbalances unless it has the power to grant its incentives," says Sergipe Governor Albano Franco.

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Things were a little calmer by the weekend. The governors know that there is not the slightest possibility that a bill reducing their revenues—and their powers—will get through Congress. But they put on a legitimate show to send Planalto Palace the message that it had better not try. In the end, the state secession movements ended in the "Battle of Itarare"—the one that never happened. But they are forcing open an analysis of two serious problems that the country will have to solve. The first is the tax reform being debated in Brasilia. The second is the predatory tax war that has been going on among the states since 1988. According to a consensus formed among people not directly involved in the conflict—and that excludes most of the governors—the tax war has to come to an end. "All it does is confuse things. In the end, everybody loses," says former Minister Mario Henrique Simonsen. Tax reform must get under way because it is essential for the future of the country. It is much more important than privatization or the increased flexibility of the monopolies. And it involves not just what has been put in motion by the administration, and what is being sketched out in Congress. It goes beyond fiddling with a tax such as the ICMS. What is necessary is to reduce the country's very high tax burden, increase the number of taxpayers, simplify tax collections, and prevent tax fraud.

"John the Landless"—Brazil's tax system has reached the point that it is a scourge. It is capable of collecting over $120 billion per year. Out of every $3 produced by Brazilians, $1 is sucked up in some form of tax, fee, or contribution. The extent to which the system is distorted is shown by the fact that the states and municipalities are broke, and so is the union. That is the problem being placed on the desks at Planalto Palace and the governors' palaces and in Congress. To realize the full extent of the problem, one needs to recall the following:

Brazil is a federative republic. This means that there is a central government and state governments, and that the distribution of power and money between them cannot be altered without the consent of all. Tax reform may alter that pact because it fiddles with the pact's mainspring: the portion of tax that each receives. And as scholars know, thoroughgoing reforms affecting taxes are extremely sensitive operations in a nation. The English barons forced "John the Landless" to include in the Magna Carta of 1215 the principle that no taxes would be imposed without their consent. "Debates on reform are slow and laborious. It is necessary to obtain consent gradually," says Deputy Antonio Kandir, president of the committee studying tax reform.

The sensitiveness that prevails with respect to the division of power and taxes could be seen in a political mistake by the administration last week. Two of its members have proposals for amending taxes. Minister of Planning Jose Serra's idea is to merge the ICMS with the industrial products tax (IPI). Collection of the tax would remain with the states, but it would be up to the Senate to establish standards governing the granting of tax incentives. The secretary of federal revenue, Everardo Maciel, has a more radical proposal. He wants to merge the ICMS with the IPI and the ISS (the service tax, which is revenue for the municipalities) and give power to collect the tax to the union and power to distribute incentives to the Senate.

Both proposals are merely outlines, but even the suggestion of them is more than the governors can swallow. Because of distrust, misinformation, or a simple need to reassert their independence from Brasilia since the country's redemocratization, the governors have rebelled at the very suggestion that Planalto Palace wants to prevent them from granting tax incentives. From that standpoint, Brasilia would have done better to initiate debate with the governors and collect their suggestions in a process in which the politicians and their advisers would gradually clear the ground for sowing tax reform. Instead, the administration sent up trial balloons to test each one's skin reaction and caused such a mutiny that its proposal is politically dead and buried.

Sacrifice—Its maneuver came at the worst possible time. First of all, because the administration is studying the possibility of providing $6 billion to help Banespa [Sao Paulo State Bank], Sao Paulo's government bank. It was not the right time to suggest to the other states any ideas about sacrificing taxes. Second, because the governors are immersed in the tax war and are tense because of the episode with Volkswagen, which chose to set up a plant in Resende, Rio de Janeiro, in exchange for tax incentives. "The tax war is an instance of anarchy that needs to be contained, but the administration has given a remarkable demonstration of political insensitivity by provoking a debate on the problem at this time," says former Minister Mailson da Nobrega.

The tax war among the states is the latest and most visible symptom of the country's tax mess. The former ICM [goods movement tax] was regulated by a federal law which limited the granting of incentives. To grant an incentive, any state would have had to obtain the consent of all the other states at a forum organized for the purpose by an agency called Confaz [National Fiscal Policy Council]. The 1988 Constitution replaced the ICM with the ICMS, and the new tax has not yet been regulated. Consultation among the states was forgotten and confusion broke out (see the table).

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The Tax Is Free: Facilities for Paying the ICMS that Governors Give to Firms Locating in Their States.

State	Benefit	Deadline for paying financed tax	Interest	Monetary correction
Acre	Financing of 75% of ICMS amount	Up to 6 years	6% per year	Only half
Alagoas	Financing of up to 100% of ICMS amount	Up to 5 years	70% of market rate	Full
Bahia	Finances 50% to 75% of tax	Up to 6 years	None	Full
Ceara	Finances up to 100% of tax	6 to 10 years	None	Full
Goias	Financing of up to 70% of tax	Up to 10 years	12% per year	1/4 of rate
Maranhao	Finances up to 75% of tax	Up to 7 years	None	Full
Minas Gerais	Financing of up to 50% of tax	5 to 8 years	Administration fee of 2.5% per year	Full
Paraiba	Finances 52.5% to 75% of tax	Up to 10 years	6% per year	1/3 of rate
Parana	Finances up to 80% of tax	3 years	None	Full
Pernambuco	Finances 70% to 80% of tax	Up to 10 years	3 percent per year	Full
Rio de Janeiro	Finances 40% to 70% of tax	5 years	None	Full
Rio Grande do Norte	Finances up to 60% of tax	up to 10 years	12% per year	Half of rate
Rio Grande do Sul	Refunds up to 60% of tax paid	8 years	None	None
Santa Catarina	Finances 40% to 70% of tax	Up to 10 years	None	Full
Sergipe	Financing of up to 80% of tax	Up to 10 years	Administration fee of 5%	Half of rate

Source: National Confederation of Industry/Trevisan.

Rio de Janeiro's government granted Volkswagen a deferral of 75 percent of the ICMS and provided a free plot of land—donated by Resende's mayor, Augusto Leivas—on which to build its truck plant. There are other benefits besides those. In all, Volkswagen received benefits estimated to be worth 700 million reals in exchange for building a plant costing 250 million reals. It was a triumph for the mayor, who broke open a bottle of champagne when the company's decision was announced, and for Governor Marcello Alencar. Alencar welcomed company officials at a ceremony at his palace and regarded the capture of Volkswagen as a personal victory.

Jealousy—For anyone who is interested, there is another Volkswagen plant—this one for engines—to be auctioned off. The practice by local governments of attracting firms by offering benefits functions all over the world as an economic stimulus. But it is normally done by investing in infrastructure. The government builds the road, makes the power hookups, or provides the land. In addition—but less often—tax reductions are granted, but only in accordance with rules adopted

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throughout the national territory. When a mayor or governor brings a factory into his territory, he not only creates jobs but also stimulates other economic activities. That factory will consume raw materials from the region as well as energy, transportation, and an infinite variety of services.

The way things are being done in Brazil, the attraction of industry is predatory toward the firms because it creates an atmosphere of unfair competition in which a good company operating in one place with no tax incentives may even go bankrupt because there is a competitor across the state line who can produce without paying taxes. It is also predatory toward the taxpayer. "If it is not done with care, it transfers society's money to the firm, and that money could have been used for education and health, for example," says tax expert Carlos Alberto Marcelo, director of Trevisan, one of the largest economic consulting firms in the country.

The complicated question as far as incentives are concerned is whether the firm even needs it, or whether it will someday repay the funds lent to it. It is known that Volkswagen analyzed 5,000 items before deciding on Resende. It even checked to see what the temperature on the factory floor would be. It did a good job, but the question being asked by consultants and businessmen is whether the subsidy was really necessary, or whether Volkswagen would have gone to Resende in any case.

In some cases, the tax war is producing injustices for the population instead of giving it employment. The State of Espirito Santo is a champion when it comes to tax incentives. Some of them are astonishing. In Espirito Santo, 75 percent of the ICMS paid in by vehicle importers in that state is given back to them in the form of a bank loan. If they invest that money in the state for 20 years, they do not have to pay back the loan. Result: of the 300,000 cars that have entered the country since January, 226,000 were imported through the port of Vitoria, even those destined for Sao Paulo or Parana. Cars for those states would normally be unloaded in Santos or Paranagua. Any domestic car that is sold pays the full tax. The recent news regarding Espirito Santo is contained in the results of a study by the Federal University of Espirito Santo. It shows that half of the firms establishing themselves there because of the tax benefits left when those benefits expired. "That may be the sign that many firms coming in from outside only want access to the government's money," says the author of the study, Professor Guilherme Henrique Pereira.

It is good for the country when a governor strives to obtain foreign investment and offers tax benefits to attract it. The French automaker Renault is about to decide whether to set up an assembly plant in Brazil or Argentina, and the difference in taxes may be the deciding factor. The [Brazilian] candidate is Governor Antonio Britto of Rio Grande do Sul. That is one thing. Pulling a firm out of one state and transferring it to another with no benefit to the country is something else.

Sashes of Office—Minas Gerais gives incentives that Sao Paulo does not give. Cargill, a large soybean oil producer in Sao Paulo, has set up its new unit in Uberlandia in the interior of Minas Gerais, where it will pay less in taxes. Sao Paulo lost an industry, and Minas Gerais gained one. Since the plant was going to be set up somewhere in any case, one can conclude that Sao Paulo is no longer collecting a certain amount in taxes, and that Minas Gerais is collecting less than it could.

The tax struggle has become more intense because investments are rare in Brazil, and politicians do not have the money to inaugurate roads and bridges. Because of that, they are gambling their sashes on the industries they manage to attract. Purely as a matter of physics, this is going to come to an end. The incentive given by one state motivates a firm provided that other states are not offering the same thing. From that standpoint, it is efficient, for example, in developing poor regions. If all the states stopped collecting the ICMS—an absurd hypothesis—the firms would locate in the best environment for them. And that means precisely the richest states. As a result of the tax war, which even Sao Paulo has joined, that may eventually happen with no benefit for anybody. From that standpoint, it is worthwhile to forget prejudices and adopt general rules regulating the implementation of incentives throughout the country.

Angolan President Arrives in Brasilia on Visit

PY1508023595 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 14 Aug 95

[Report by Marcia Pompeu in Brasilia]

[FBIS Translated Text] Angolan President Jose Eduardo dos Santos arrived in Brasilia today.

President Dos Santos is visiting Brazil to resume the talks with Brazilian officials and businessmen he had to interrupt because of the Angolan civil war. He plans to intensify cooperation with the Brazilian Government and with Brazilian companies through projects that are to be implemented in the next two years with a view to promoting Angola's socioeconomic recovery.

Between 15 and 18 August, President Dos Santos is scheduled to meet with President Fernando Henrique Cardoso, with the governors of Sao Paulo and Rio de Janeiro, and with Brazilian businessmen.

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The Angolan president is due to return home on 19 August.

Colombia

Paramilitary Group Said Responsible for Chigorodo Killing

PA1408201395 Madrid EFE in Spanish 1808 GMT 14 Aug 95

[FBIS Translated Text] Medellin (Colombia), 14 Aug (EFE) — According to a communique addressed to the press in Medellin, a new "private justice" group today claimed responsibility for killing 18 people this weekend at a bar in the town of Chigorodo in Antioquia Department in northwestern Colombia.

The "People's Alternative Commando Units" [Comandos de Alternativa Popular] explained that it is an organization "made up of former guerrillas, former paramilitary, and Uraba residents," which has arisen to "punish" instigators of violence in the area.

The group added that the victims were "punished" for having murdered six people a few earlier in Apartado, another town in Uraba.

In the La Martina neighborhood of Apartado, a group of unidentified individuals murdered three soldiers and three civilians on Saturday afternoon a few hours before another group shot the customers at the "Aracatazzo" bar in Chigorodo.

In the same communique, the "People's Alternative Commando Units" warned two guerrillas that "they will answer in the same way" in case there are collective crimes or violent actions in the conflict-ridden agro-industrial region.

The bar in which the 18 people were killed is in the El Bosque neighborhood of Chigorodo, which is mostly inhabited by active members of the leftist Patriotic Union (UP). During the UP's 10-year lifespan, some 2,500 members have been murdered.

The birth of the new paramilitary group, which adds to the half dozen similar organizations operating in Uraba, is simultaneous with Antioquia Governor Alvaro Uribe Veliz's announcement offering a $111,000 reward for the Chigorodo bar murderers.

Two ELN Leaders Escape Santa Fe de Bogota Modelo Prison

PA1508023795 Madrid EFE in Spanish 0117 GMT 15 Aug 95

[FBIS Translated Text] Santa Fe de Bogota, 14 Aug (EFE) — Two leaders of the Army of National Liberation (ELN), the most radical guerrilla organization of Colombia, escaped from the prison in Santa Fe de Bogota where they were confined, penitentiary authorities reported today.

The subversives were identified as Marco Antonio Velasquez Holguin and Arturo Gomez Quinones, who led factions in the central and northwestern part of the country.

Authorities said the guerrillas, who were confined to the Modelo Prison of the Colombian capital, escaped Thursday, but it was not until today, Monday, that they were found missing after a prisoner count was made.

Colonel Norberto Pelaez, director of the National Penitentiary and Prison Institute (INPEC), said that nine guards are under investigation for alleged responsibility in the escape of the ELN leaders, group led by former Spanish priest Manuel Perez.

"There was complicity by the guards," Pelaez declared. He believes "the escapes are being carried out through the main door of the prison."

Velasquez and Gomez were confined to the seventh wing of the prison and had to cross several doors and controls to be able to leave the prison.

The colonel charged that corruption in this prison has reached alarming levels and noted that only last Friday he had to dismiss eight guards for responsibility in similar incidents.

Also, he revealed that on Monday some of his subordinates discovered a cache of liquor and cellular telephones which he was tipped off about through an anonymous note.

"We found 165 bottles of booze [aguardiente] and 15 cellular telephones with their charge kits. They could have entered only with the complicity of the guard," the INPEC director stated.

Pelaez said that if necessary he will change all the Modelo Prison personnel or else militarize the prison.

Former Campaign Treasurer Medina Testifies

95CA0330A Santa Fe de Bogota EL TIEMPO in Spanish 3 Aug 95 pp 8-10A

[The testimony of Santiago Medina Serna, former Liberal campaign treasurer, given before the Office of Prosecutor General]

[FBIS Translated Text] *The testimony has yet to be studied by the Chamber's Investigative Committee [Comision de Acusaciones] and deputy prosecutors at the Court, those bodies with which the document was filed and which will rule on the veracity of its contents.*

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Today EL TIEMPO is publishing the complete unsworn testimony of Santiago Medina, a document it had refrained from releasing because it is but a procedural piece of evidence that remains to be studied by the Chamber's Investigative Committee and deputy prosecutors at the Supreme Court of Justice.

The decision to publish the testimony comes on the heels of a press conference called by Government Minister Horacio Serpa Uribe and Defense Minister Fernando Botero as a diversionary measure and after a newspaper in the capital published a page containing excerpts taken from it. Both incidents generated great confusion.

Consequently, inasmuch as the document is of general interest and since Medina's statements are open to challenge, EL TIEMPO is now carrying the testimony so that the general public may gain a clear understanding of precisely what it is that the Office of Prosecutor General is investigating.

EL TIEMPO has omitted four paragraphs from the 20-page statement in order not to complicate the investigation by the mention of alleged witnesses.

Regional Directorate of Offices of Prosecutors General Admission of Proceedings General Secretariat Proceedings: Continuation of Unsworn Testimony Given by Santiago Medina Serna Reference No. 25386

In the city of Santa Fe de Bogota D.C., at 1220 hours in the afternoon on this 28th day of July 1995, in accordance with the resolution bearing this date, the Committee of Prosecutors from the Regional Directorate of Offices of Prosecutors General hereby proceeds to continue hearing the unsworn testimony of Santiago Medina Serna, who is counseled by Oswaldo Sepulveda Quintero, C.C. No. 19,240,332 of Bogota, who has presented T.P. No. 47,289 issued by the Ministry of Justice and who has been appointed defense counsel as requested by the accused in a petition filed today revoking the power previously conferred upon Ernesto Amezquita Camacho. Counsel Oswaldo Sepulveda Quintero is being sworn in in accordance with Articles 138, 139 and 147 of the C.P.P. [Code of Criminal Procedure], has pledged to comply faithfully with the duties imposed by the office, and is therefore formally installed. At this point in the proceedings, it is duly noted that the representative of the Ministry of Justice with Code MJEF is in attendance. Immediately thereafter, the witness continues to give his testimony as follows:

Question: Please tell whether at any time you had information concerning the receipt of monies from drug trafficking to be used in the presidential campaign of Ernesto Samper Pizano in 1994.

Answer: "Yes, I did, Mr. Prosecutor. I wish to append to these proceedings the communication which I am hereby submitting to you and which reads as follows: Office of Regional Prosecutors, Santa Fe de Bogota, 25 July 1995. Gentlemen: I am hereby offering to you and through you, to the nation's prosecutor general, my cooperation in the manner and in accordance with the terms set forth in Article 369A of the Code of Criminal Procedure for the aforementioned purposes. Sincerely, Santiago Medina Serna, C.C. No. 19,133,094 of Bogota (it is noted that the witness submits the 2-page document that he has just read.) In order to give some organizational form to the account which I am presenting to the Prosecutor General's Office, I ask that you divide this document into three parts. 1) the existence of undeclared monies in the campaign; 2) monies from drug trafficking; and 3) the narcocassettes. I am asking the prosecutor that he allow me to present these cases and, at the conclusion of each, to ask me the proper questions."

At this point in the proceedings, the witness' request was granted and he was given complete freedom to provide the statement that he would offer freely and voluntarily. When reminded that he was free of the obligations of being under oath, he made the following statement: "Mr. Prosecutor General, given the country's obvious need to know the truth, I wish to tell the Office of Prosecutor General all that I know concerning the different irregularities that occurred in the presidential campaign of Ernesto Samper Pizano. I am moved to do so freely and spontaneously by the fact that, upon leaving the Office of Prosecutor General yesterday, a person whom I could not identify told me: 'Tell everything, because the country needs to know the truth.' Part I. Existence of Double Books. We cannot truly say that double books were kept along with official accounting, but while the organizational chart for the campaign made it possible to divert undeclared resources, the Election Council had set a ceiling of 4 billion pesos for campaign expenses. To the best of my recollection, I saw expenses exceeding 9 billion pesos. As I have repeated in previous reports, the campaign plan showed Ernesto Samper as the candidate. Fernando Botero Zea, general campaign manager, reported to him. According to a document which I have appended to this file and which is written in his own hand, Botero organized two financial committees. I was in charge of the one that was in charge of collecting money from a known number of enterprises. Its main function was to coordinate regional treasuries that had been set up to raise funds throughout the country. A second committee was managed by his assistant and current adviser as minister of defense, Fernando Corredor, who basically collected money from multinationals and enterprises

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that could not legally appear as contributors. This money was managed directly by Fernando Corredor and Fernando Botero, and no other person connected with the campaign had direct access to it. On one occasion, when Corredor was out of town, Botero asked me to do him the favor of getting together with the Mitsui company, which contributed $50,000 to the campaign. On that occasion, Botero gave me the number of an account in which that money had been deposited abroad. The account was called Project 2000 and, to the best of my recollection, was with the Cheis [as published] Manhattan Bank in New York. As far as Fernando Corredor is concerned, I can add nothing more to this statement because I do not have direct access to the books. I do not know what funds other than those included on the official campaign list were obtained by him, nor can I say, except for this specific instance, what other donations he obtained. Another person also collected money directly, along with candidate Ernesto Samper, basically from multinationals and financial institutions that did not wish to have their donations recorded: That person was Juan Manuel Turbay, currently general secretary to the president, who, together with the candidate, met in Samper's apartment without my having knowledge of such funds. There was a major lack of coordination between Botero and Juan Manuel Avella, administrative director of the campaign. The movement of monies was very great, as the former inspector [veedor] indeed indicates. Money in dollars was used without ever being registered, received directly by the candidate according to records I am appending to this statement. When the media began to speak about two sets of books, I was sure that monies I had collected had been officially entered and that the campaign books had not omitted from the balances all the money I had obtained. I then asked Juan Manuel Avella for the last list of donations received in the campaign so that I might compare it with the list of collections that I carefully kept, as I told the Prosecutor General's Office today. That list of checks is accompanied by photocopies of the checks signed by Juan Manuel Avella acknowledging their receipt. When I compared the figures, I was very surprised to see that 1,268,000,000 pesos that I had collected were not declared, nor were checks in dollars that a number of persons gave the candidate in my presence." There was a 1-hour recess for lunch at this point in the proceedings. "In an effort to cooperate with the Prosecutor General's Office, I am submitting an analysis of these accounts so that once it has my own list of funds collected, it can identify in each case which funds were not declared. The first column on the left shows the sum in pesos, in the center is the name, check number or whether it was paid in cash, and the last column tells to whom the respective sum was paid. In order to facilitate the investigative process, initials appearing on the right side are as follows: FBZ, Fernando Botero Zea; ESP, Ernesto Samper Pizano; JMT, Juan Manuel Turbay. It is important to note that of the 1,268,000,000 pesos, a total of 626 million correspond to payments for campaign publicity expenditures made via telephone and personal donations. I would send letters to Mr. Avella telling him that I had obtained a donation of X amount of pesos for publicity payments. Mr. Avella was responsible for making arrangements with the enterprise as to how the payment would be made. To the best of my knowledge, Mr. Avella would call the firm that made the donation and send invoices for that amount so that they could include the amounts as expenditures for their companies. Some 522 million that I collected in cash and checks do not appear on the official books either, but my list shows that they were received by the administrative director. A total of 120 million pesos were received and turned over to Ernesto Samper by me. I say 'received' because on the last page of the folder labeled Collections from 30 May to 4 June of 1994 is a check for $70,000 drawn on the Livestock Bank of Miami by Mrs. Maria del Pilar Espinosa de Gnecco, who is married to Jorge Gnecco, beeper No. 2880199 and telephone Nos. 227698 and 211534 in Santa Marta. Jorge Gnecco is Ernesto Samper's second cousin and has had problems with the courts stemming from Law 30. Likewise, the list shows $30,000 in cash given to Samper by me. Clearly visible on the lower portion of the page is the signature of Juan Manuel Avella. I am submitting the folder containing the three pages showing the connection between the missing money collected by me (it is noted that the witness submits a file containing three pages). I am also submitting the following documents: the list of monies collected from 30 May to 4 June of 1994. Everything on the lower portion highlighted in yellow is signed by Juan Manuel Avella. As proof that the money was received, you will find on the list highlighted in red management checks paid to nonexistent persons and delivered directly to Samper by a mysterious individual the day before the election, ie., for the first ballot. In other words, they were delivered on 28 May and are listed on the lower portion of the sheet highlighted in orange (it is noted that the witness submits a folder containing 26 pages). Collections from 23 to 27 May of 1994: It is important in this account to analyze checks received from an unknown company known as Radiobroadcasters United, Inc. [Radiodifusores Unidos, S.A.], which are not included on the list either. I am marking them in orange (it is noted that the witness submits a file containing 63 pages). List of collections from 10 June to 31 July 1994: Although most of these donations were

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received by me, they were not delivered by me because I was out of the country, which is why they are not signed by Mr. Avella, but by his secretary Patricia (it is noted that the witness submits a file containing 12 sheets). List of collections from 16 to 20 May 1994 (it is noted that the witness submits a file containing 11 sheets). List of collections from 9 to 13 May 1994 (it is noted that the witness submits a file containing 16 sheets). You will find that on many of these lists, the signature of Juan Manuel Avella is not to be found. However, one does find the seal of the Administrative Directorate or the signature of the secretary who signs 'Patty.' List of collections from 2 to 6 May (it is noted that the witness submits a file containing 26 pages). List of collections from 25 to 29 April (it is noted that the witness submits a file containing 16 pages). List of collections from 18 to 22 April 1994 (it is noted that the witness submits a file containing 27 pages). List of collections from 11 to 15 April of 1994: It is important to analyze the last page of this list highlighted in orange showing a donation received by Jacky de Samper (it is noted that the witness submits a file containing 14 pages). Collections from 4 to 8 April 1994 (it is noted that the witness submits a file containing 5 pages). Collections from 28 to 30 March 1994 (it is noted that the witness submits a file containing 10 pages). Collections from 14 to 18 March 1994 (it is noted that the witness submits a file containing 14 pages). Collections from 6 to 11 March 1994 (it is noted that the witness submits a file containing 16 pages). Collections from 28 February to 4 March 1994 (it is noted that the witness submits a file containing 22 pages). Collections from 21 to 25 February 1994: In this folder it is important to analyze checks received at a dinner given for the candidate in the city of Cali. I did not attend that dinner and cannot testify as to who did. The person responsible for these monies was Mrs. Maria Leticia de Rengifo, who worked for me a few days as assistant treasurer and later resigned to work with Mrs. Jacky de Samper in connection with a foundation set up and known as Friends of the Environment (it is noted that the witness submits a file containing 23 pages). In my first report, I noted that I joined the Treasurer's office at the end of January 1994. The first meeting was held at my house and attended by Fernando Botero. At that meeting, the guidelines for how funds would be raised were set. The letter is in his handwriting. I am submitting to the Prosecutor General's Office our first document relating to these proceedings, a document clearly showing the organizational chart for monies. I repeat that the letter from Fernando Botero clearly shows the following: At the top of the page is the name Samper and, on the right, that of Jacky de Samper, underlined in red. This means that Jacky de Samper would be responsible for raising funds through an association called Friends of the Environment, created with the idea of helping social projects in the country's parks. However, monies were received by the association that do not appear on the books. Underneath is the name Botero, who was under Samper's authority, and there are two branches: on the left, the Medina treasury, subdivided into a committee made up of 18 persons; and on the right, the Corredor treasury, referring to Fernando Corredor, who has an internal committee which he coordinates with Barbara, meaning Barbara Vargas. She in turn coordinates with Rueda, whose first name I cannot recall, but who now works as an aide to the minister of defense. The red marking here means that these monies either do not go into the campaign directly or are managed through the association Friends of the Environment or the internal committee. Clearly visible at the bottom is the sign for pesos with arrows pointing toward Juan Manuel Avella, and I think that a person named Sanchez worked on the campaign, but I am not sure. The second document that I am appending is one written by Fernando Botero, clearly stating that 1,980,000,000 [pesos] were collected. Of this amount, Samper obtained 150 [as published], Botero 500, Corredor 350, and Juan Manuel 220. I do not know why the sum does not tally. These numbers are in Botero's handwriting (it is noted that the witness submits two sheets of newsprint). Part of the important funds handled by Botero were donations made by a French firm represented by Luis Jorge Ferro. They loaned a Jeet [as published] for Samper's campaign for six months. I do not recall the registration, but [it was] the official plane for all campaign trips. Most of this money given by that French company, which was interested in setting up several businesses in Colombia, was handled abroad. Many of the expenditures paid out of these funds coordinated by Corredor and Botero were disguised through an account which Botero has with his father for the Tucurinka Ranch in Cundinamarca. The person who handled these checkbooks and the account abroad is Pilar Leon, currently serving as an adviser to Botero in the ministry. I learned from comments made by Juan Manuel Avella that before my return to the Treasury, some money in cash was used in accordance with arrangements made by Monica de Grieff, and it does not appear on the books either. The prosecutor will ask what role was played by the campaign's ethical prosecutor, Jorge Valencia Jaramillo. He never consulted with me about any resources that came into the campaign. It was he who drafted the Code of Ethics, which remained no more than a draft. In general terms, this is the most important part of our first point. With respect to monies from drug trafficking, I was truly unaware of

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the friendship that Samper had long maintained with the Rodriguez Orejuela brothers.

"The Office of Prosecutor General can easily confirm this account if it will go back to 1993, when Alberto Giraldo and Eduardo Mestre traveled to Madrid for the purpose of meeting with the then Colombian ambassador to Spain in order to arrange terms for financing the campaign. Giraldo and Mestre traveled to and from Madrid on the same dates (a fact that can be verified through DAS [Administrative Department of Security]. One afternoon, at the Cafe de los Espejos on Paseo de Recoletos in Madrid, they made an agreement called the Recoletos Pact, which is where the story begins. That meeting was attended by Ernesto Samper, Eduardo Mestre and Alberto Giraldo, the latter two representing the Rodriguez Orejuela brothers. They agreed that Mestre would be in charge of handling the backing which the Rodriguez brothers were offering to their friend Ernesto Samper and that Alberto Giraldo would remain on the outside as an observer of the Conservative process. That summit conference in Madrid was also attended by Monica de Greiff, who was to be in charge of the financial directorate, Fernando Botero, who would serve as general director of the campaign, and Julio Andres Camacho, a shareholder in the newspaper QAP and the former editor of the periodical CROMOS. Camacho would coordinate publicity with German Medina, who planned the publicity campaign. When the first pact was signed at the Cafe de Recoletos, one of those present (Alberto Giraldo) told me a photographer was seen approaching their table and taking a picture of them all together. I believe that everyone at that meeting probably scoured the globe trying to find the photographer and retrieve the picture, the best evidence of what I am telling. The campaign began routinely, bringing in relatively little money due to the fact that De Greiff, who handled the financial end of it, was working as president of Shell and consequently could not devote full time to the task. Thus it was that as we approached the election, we began to take in less and less money. Around the time of the first ballot, a meeting was organized by Alberto Giraldo at his apartment, attended by Samper, Botero, Humberto de la Calle, Alberto Giraldo and Miguel Maza Marquez. The purpose of the meeting was to convince General Maza Marquez to get candidate Samper to become a presidential candidate. This is true, as has been maintained by former candidate Enrique Parejo. At that meeting, an agreement was made that General Maza Marquez would bring Samper in as a candidate. He set as a condition that he would be paid the sum of 165 million pesos, which was his total campaign debt. Alberto Giraldo gave this sum to General Maza as aid from a group of friends from Cali who wanted to help bring General Maza into our movement. According to Alberto Giraldo's account, he gave the money to General Maza Marquez in cash, and two days later the General publicly announced his support. I wish to emphasize that Humberto de la Calle's presence at the meeting was coincidental and that it resulted in a notorious coolness between the president-elect and vice president, once the narcocassettes came to light and it was clearly revealed that the monies used to pay General Miguel Maza Marquez' campaign debt were given to Alberto Giraldo as a contribution from the Rodriguez Orejuelas. De la Calle attended the meeting at the invitation of candidate Samper, who happened to be coming out of a meeting with manufacturers. Samper asked De la Calle to accompany him to Alberto Giraldo's apartment because they were going to meet to tally support. Candidate Samper jokingly told De la Calle, when the latter asked him where he would get the money to give to General Maza, that Alberto Giraldo had some friends who would very kindly extend their support. Alberto Giraldo visited me for the first time at 5:00 in the afternoon on Tuesday, 19 April, offering me financial help from the Rodriguez brothers for the campaign. I informed Botero, who told me that the money would never be accepted. At 12:20 on Thursday, 28 April 1994, he visited me once again at the office, telling me that he needed me to talk with Miguel Rodriguez by phone at a luncheon that he was having at the Club Ateneo so that we could arrange the amount of the contribution and how it would be made to the campaign. I told Giraldo that I was not authorized to do so and had no interest in making contact with them. On the 29th, we went to the Cultural Forum in Barranquilla and from there were to proceed to the Vallenato Festival in Valledupar. On Saturday, the 30th, we decided to cancel the trip to Valledupar and Botero called me to his office at three o'clock in the afternoon. There he told me that we had to accept the support that the Cali Cartel was offering, but that they would not hand over any money if Alberto Giraldo was not accompanied by a campaign official. He added that Samper wanted me to be that person, but said he had warned him that he would talk about the matter only through Fernando Botero. On Monday, 2 May, a meeting was held on the 33rd floor of the Hotel Orquidea Real, where the campaign planning center was located. We met with Enrique Penalosa, Leonilde Arredondo and Aroldo Calvo, who gave us a donation in the name of the country's Free Zones (verifiable by the list of collections). I was able to speak with Samper and told him that Botero had asked me to accompany Alberto Giraldo to a meeting in Cali for the purpose of collecting those funds. He answered very nervously that he did not want to have anything to do with any of this and that I should get together with Fernando Botero to arrange what we thought would be suitable. We then agreed to

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travel to Cali on Wednesday, 4 May. Upon our arrival in tht city, we were greeted at the airport by a man I did not know driving a grey Nissan pickup. They asked me to lie down in the back seat so that I could not see where we were going. We drove to an apartment building about 14 stories high in downtown Cali and took the elevator to the penthouse, where we found Gilberto and Miguel Rodriguez Orejuela with Elmer Herrera and Jose Santacruz. They were most cordial, which was perhaps what helped me over my nervousness at meeting such individuals. Fernando Botero had given me precise instructions to ask for 2 billion pesos, the sum needed to make it through the first ballot. Likewise and in order to achieve that end, Botero asked me, on behalf of candidate Samper, to present them with five points which he had dictated to me and a copy of which I am appending to this dossier. 1—Candidate Samper expresses thanks for the support they are offering him and values their help in his effort to become president. 2—Ernesto Samper supports the policy of surrender and the process of negotiations aimed at ending narcoterrorism, violence and drug trafficking. 3—He backs Prosecutor Gustavo de Greiff in his handling of drug trafficking issues. 4—As his top priority during the first six months of government, he pledges to pave the way for the surrender of the Cali Cartel. 5—Strictly within the framework of the constitution and the law, the new government will do everything within its power to ensure the success of this effort (it is noted that the witness submits a document containing the points in question). They gave me a document addressed to Samper which I delivered to him in person at his office upon my return from Cali, and I briefed him on the meeting that we had held. It was an open, two-page document signed by Miguel and Gilberto in which they expressed their unconditional support based on the friendship that had bound them for so many years and in which they manifested their interest in seeing him become president. They asked me to arrange a meeting in Bogota, but Samper refused to see them, saying that sooner or later it would be found out and that such a meeting would not be appropriate for him. To the best of my recollection, the money they contributed for the first ballot totaled 1 billion pesos. They sent 500 million through Alberto Giraldo, a sum used to pay a Leopoldo Montejo, Jr. for paper supplies, posters and publicity. Botero had authorized such payment to be made by Alberto Giraldo. I received about 60 million pesos for small payments made through Juan Manuel Avella, and the remainder was given in cash to a Mr. Prieto, son of Luis Prieto Ocampo, who handled all radio and television for the campaign. The rest of the money that is supposed to have been contributed by them and of which I have no direct knowledge was given to different political leaders and bosses directly from Cali. By the second ballot, things had reached the crisis stage, the campaign was out of money and, what is more, it had already spent the 4 billion pesos authorized by law. Botero asked me to accompany Alberto Giraldo to Cali for the second time because if I did not go representing the campaign, they would [as published] help us on the second ballot. The second trip was a repeat of the first, and we proceeded to the same place on the morning of 15 June, traveling on an Avianca commercial flight. Alberto Giraldo stayed there, but I had to return that afternoon on a different airline, Intercontinental, I believe, due to the fact that I had to be at the assembly of the Colombian Democratic Association at 6:00 in the afternoon. I was in charge of the Association's treasury and was to relinquish my office that day. This time they applied more pressure, observing that not only were they helping Samper, but that they had also helped the Conservative Party candidate, albeit to a lesser extent. However, my assignment was to ask for 4 billion pesos and I got it. They agreed to send the money to Botero provided that acknowledgment would be given that the money was in fact received. Proof of this is in the hands of Miguel Rodriguez Orejuela. It is on a sheet of stationery bearing his name and that of the firm and showing the distribution of the 4 billion pesos ordered by Fernando Botero. In a subsequent conversation (which I shall recount later), Miguel Rodriguez said that he had 'the smallest but most expensive Botero in the world.' The last message that he sent to Fernando Botero a few days ago said he intended to challenge him publicly before the Prosecutor General's Office and the country to submit that document to a handwriting analysis. Not only did those individuals help on the last ballot with the 4 billion pesos that I obtained at Fernando Botero's request, but many politicians traveled to Cali to ask for money to help in their departments. To estimate how much money was invested is truly impossible, but the most important document that I can contribute to the Prosecutor General's Office is the original accounting of how those monies were invested. In the folder which I am appending, you will see in the box on the left the department, followed in the next box by the name of the treasurer, and in the three remaining boxes, the checks deposited, cash delivered, and Botero's allocation giving each of these persons in the country the sum of 2,734,000,000 pesos, plus additional sums recorded on the back of the same sheet. In that same folder, you will also find the monies given to Alliance for Colombia, a grouping of political movements that helped us and to which a total of 305,400,000 pesos in cash was given. Among them are conservative movements, ANAPO, the Communist Party, Christians, Indigenous movements, Guambians [as published], the "Reintegrated [reinsertados]," and so on. It is also im-

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portant to note that there is a payment of 56,950,000 pesos for the rum they bought to distribute in the Departments of Cesar, Cordoba, Magdalena and Sucre. A total of 350 cases of liquor were purchased. In other words, I handled a total of 3,129,061,670 pesos (it is noted that the witness submits a file containing 4 pages). I am also submitting to the Prosecutor General's Office the originals of the receipts signed with name and seal for monies donated to different politicians to be used on the second ballot, and I hereby list them: Eduardo Mestre, Hernando Enciso, Fredy Preciado and Julian Perluz, who are one and the same; Rafael Gomez Quiroga, Daysa Sanchez, Carlos Eduardo Leon Moreno, Mabel Cartagena, Luis Ernesto Medina, Jose Fernando Castro Caicedo, Humberto Forero, Jorge Herrera Barona, Carlos Vargas, Daniel Monroy, Juan Manuel Avella, Samuel Moreno Rojas, Julia Menas Garcia, Ismael Contreras, Jorge Tarazona, Elkin Drews, Jesus E. Avila, Rodolfo Segovia, Ines Falla, pledge letter from Mrs. Ines Falla de Ospina, Andres Cassas, Rita Ocana from the General Maza Marquez Movement, Beatriz de Castilla, Rosemberg Villa and/or Jaime Galindo, Rosero Ruan, Diego Riveros, Samuel Moreno Rojas, Ramiro Lucio, Jose Maya Garcia and/or Amparo Carbajal Barragan, Carlos Romero, Claudia Rodriguez de Castellanos, Alberto Giraldo, Maria Izquierdo, Hector Pardo, Oscar Gonzalez, Luis A. Camargo, Teodulo Cabrera, Alvaro Pinto, Juvenal de los Rios, Arturo Grueso, Lorenzo Cantero, Jose Guillermo Puentes, Pedro J. Portilla, Humberto Jimenez, Rita Ocana del General Maza, Victor Jacamanoy, Piedad Cordoba, Guillermo Villaveces, Carlos Vargas, Gloria Mena, Guillermo Villaveces, Esperanza de Silva, Victor Moscote, Nelson Caicedo, Victor Moscote, Augusto Veltran, Jorge Herrera, Silvio Mejia, Freancisco Conto, Agustin Hernando Valencia and/or Omaira Mosquera, Augusto Beltran, David Turbay Junior, Carlos Guillermo Aragon, Rafael Mojica, Eva Alvarez, William Uribe, Jorge Herrera, Alvaro Munoz, Andres Gonzalez, Rodolfo Zambrano, Ricardo Montenegro, Belen Sanchez, Hernando Martinez, Hernando Suarez, Erik Morris, Mario Aristizabal, Ciro A. Bernal and/or Raul Bernal, Jesus Maria Suarez, Antonio Stivens, Edgar Olarte, Ely Cala Lopez, Rafael Mojica, Guillermo Villaveces, Javier Trujillo, William Uribe, Ruth de Zambrano, Aurelio Iragorri, Edgar Olarte, Eva Alvarez de C., Ricardo Montenegro, Hernando Martinez, Miguel de la Spriella, Victor Moscote Beatriz Caballero, Alberto Garcia, Marco A. Herrera, Carlos Vallejo, Sebastian Andrade, Pedro nel Salcedo, Armando Benedetti and Carlos Guillermo Aragon (it is noted that the witness submits a folder containing 107 sheets). This evidence, of which there existed only one original, bears the signature and seal of the person receiving the money. In some cases, this does not match the name of the treasurer who handled the money because they sent it to another person with proper authorization to claim the money. Likewise, when no signature appears, there is a deposit receipt because such monies had to be deposited in different accounts belonging to such persons. It is very important to note that in the case of payments for the second ballot, Botero obtained resources unknown to me and concerning which he ordered backers of the campaign to endorse management checks in their respective names for sums greater than 50 million each. Those persons are: Jose Antonio Vargas Lleras, Leonardo Carvajal, Leonardo Garcia, Monica Guaqueta, Maria Ines Londono, Luis Guillermo Velez, Barbara Vargas, Pilar Leon, and Mr. Rueda, who worked with him on the Financial Committee. In the folder marked with an X and highlighted in orange, it is easy to discern those checks because they appear in the column labeled Checks. The 200 million that appeared in the Department of Antioquia were also obtained by another person of dubious legality whom I was unable to identify and who took them to Botero's office. On the list of checks from the Department of Valle for payments for the second ballot is the check for 40 million from Comercializadora Agricola La Estrella, Ltd. [La Estrella Agricultural Marketers]. We were never able to determine how this check appeared on my desk, but I suspect that it was a way to make sure that my name appeared showing that checks were received from that source. I hereby state once again that when I endorsed the check, I was unaware of its origin. In the Department of Valle, a great deal of money was used without the knowledge of the general leadership of the campaign. The city was on the eve of first and second ballot elections. It was inundated with obstacles and detours that in many cases did not coincide with our publicity plans. Big demonstrations were staged by politicians from the departments and local financial committees, as in the case of Cali, Palmira and Buenaventura. I also want to note—because I deem it important that the Prosecutor General's Office know—that the monies which Botero authorized to be given to me were taken directly to my house, once by Alberto Giraldo and twice by Eduardo Mestre, in six cardboard boxes wrapped in gift paper, each containing about 500 million each. Not only was this money from the Rodriguez brothers received, but there was also support from individuals belonging to other drug cartels. Those from the Coast Cartel turned over very large sums in the northern departments, sums that were received by the current Minister Armando Benedetti, who coordinated the Atlantic Coast departments. Such is the case of the famous small plane from Cordoba that was carrying 180 million pesos in cash and that was discovered by the Police. Some 30 million pesos were allegedly paid to the police to allow

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the money to continue on its way. This incident, which has been widely reported and greatly debated, is really true. In a free and spontaneous statement I made a few days ago, the Office of Prosecutor General asked me whether I knew Jesus Sarria. I answered that I did, that he was a friend of Samper's (a paragraph is eliminated here in order not to complicate the investigation). You asked me yesterday about my visit to the Intercontinental Hotel in Cali. According to a comment contained in testimony in your possession, that testimony is not completely correct. I really did go to the Hotel Intercontinental in Cali accompanied by the candidate, as I voluntarily stated. I was approached by a person who recommended that I hear him out on behalf of the Rodriguez Orejuela brothers. Samper never told me that day to meet in any suite. This happened in the bathroom and I have nothing to add to or change in the extemporaneous version I gave. To conclude this chapter, I wish to tell you that Miguel Rodriguez repeatedly called me at home to ask for a meeting with the president after the incident of the narcocassettes. We spoke on the phone twice and I told him it was impossible to obtain a meeting with the president or Minister Botero because they were not interested in talking with him. I also told him that what I thought was most appropriate was for him to turn himself in and start the surrender proceedings with the Prosecutor General's office. In September of last year, a person appeared one day and told me most cordially that Gilberto was in Bogota and to get into the car so that he could take me to talk with him. They drove me to an apartment in the Rosales district, coincidentally very close to the apartment of Fernando Botero, where Rodriguez expressed his discontent with President Samper and Minister Botero because things were growing ever more complicated for them. I suggested that he write a letter and said I would deliver it to the president with great pleasure. I told Fernando Botero what had happened and he informed the president, who determined that the matter should be handled through Fernando Botero and that he would not deal with it through me. I read the letter to Botero in his office and then burned it, on the same day that the president and minister of defense traveled to the island of San Andres. In rather strong terms, the letter mentioned the money he had contributed, the support he had given to the campaign, and the little or no cooperation he had received from the government. I resolved to extricate myself from the whole affair because of my fear that they would imminently take it out on me. After all that had happened, I was the only person not in a public post, nor did I have any bodyguards or security. That is why I was out of the country between September and October of last year. To finish with this point, I wish to note two very important things for the Prosecutor General's Office. Based on precise instructions from Botero given to me and Avella, the Prosecutor General's Office is to be given only the package of receipts for expenditures which I am submitting in a plastic bag closed with a blue X, inasmuch as these were exchanged and doctored so that it would appear as if the expenses of the first ballot of the election were for both. A week before appearing here at the Prosecutor General's Office to make my voluntary statement, these instructions were given to me, but I am submitting these documents only today because I did not think it was suitable to do so before. I examined them and closed the package (it is noted that the witness submits the aforementioned package). I wish to repeat that in the balances given to the Inspectorship and Prosecutor General's Office, the expenditures for the second ballot are not separate because the quota had already been reached."

At this point in the proceedings, it is noted that Medina, where name [as published] Leopoldo Montejo, which name figures on page 10 of this dossier, is not the latter, but Mauricio Montejo Salgar. His address is Cra. 30 91-20, Telephone Nos. 2185850, 2185972 and 2187620, Fax 2363158 (it is noted that the witness submits the business card of Montejo Salgar). The Committee of Prosecutors notes that Medina requested that he be provided with transcriptions of the narcocassettes, which request was granted, and the Office of Prosecutor General submitted the folder containing the copies obtained of File No. 072 of the Prosecutor General's Office. "Concerning the narcocassettes, page 109 contains a conversation between Alberto Giraldo and Miguel Rodriguez Orejuela and on page 110, Alberto Giraldo states, 'I was with Beltz,' referring to Hernan Beltz, general treasurer of candidate Andres Pastrana's campaign. On page 111, he mentions Alvaro and, further on, Alvaro Pava, who was the national financial coordinator of Andres Pastrana's campaign. At the bottom of the page, Giraldo explains that he spoke with Maza, asking that the money be sent in cash so that it could be delivered, clearly referring to the meeting I mentioned previously, at which a pledge was made in Samper's presidential campaign to pay his debts in exchange for the support of General Maza. On assignment No. 370 of the Office of Prosecutor General, Alberto Giraldo speaks on page 10 with Miguel Rodriguez concerning the invitation he extended to me at the Club El Ateneo and concerning his offer to send 4 billion pesos. In addition, he states that Samper is showing signs of being a good friend. A very important cassette is missing here. I am referring to the cassette played for me yesterday. That cassette comes after this file because it was the last one to come out. On the other cassette, Alberto Giraldo speaks with Miguel Rodriguez, telling him what happened to Medina's money and the other deadline. Miguel Rodriguez

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tells him that if later on Medina did not say he did not [as published] need more money because they had [the money] from the Santodomingo group for that purpose, Alberto Giraldo tells him that what Medina says is one thing and something else is something else [as published], referring to additional money that was received and whose ultimate destination I was unable to ascertain. On another cassette, they speak about the 'bandi' and Cesar, meaning Cesar Villegas, owner of the Santa Fe soccer team, and Joselito, meaning Joselito Guerra de la Spriella. Fernando Botero authorized that they be given 600 million pesos from Cali in addition to what we had discussed for their direct use. I do not know where the money went. When they speak of Eduardo, they are referring to Eduardo Mestre. No. 1 is Ernesto Samper, and the man who would be the No. 1 of the 'greens' is Fernando Botero. These cassettes are the best proof that my account is absolutely true, and even if they have no legal validity, it is proof of the movements that took place, of the intentions of every one of the persons recorded on the tapes, and evidence of the sums that were distributed. On that recording, they also speak of Alvaro and Augusto. Alvaro is Alvaro Pava and Augusto is Augusto Ramirez Ocampo, a very close friend of Alberto Giraldo who worked on Andres Pastrana's campaign. In another part of the cassette, when they speak about the car, they refer to the airplane and arrival problems stemming from restrictions. This was during the time when the El Dorado Airport did not allow small planes to take off before 11:00 in the morning or after 4:00 in the afternoon. The old man is Gustavo de Greiff, since Alberto Giraldo was the interlocutor who would help them into possible negotiations or delivery, and the Alvaro mentioned there is Alvaro Pava. I do not know who Benitin is, but I imagine he was the airplane pilot. On another tape which the newspaper LA PRENSA has regularly transcribed, Alberto Giraldo says that I insist that they send me the money. Miguel Rodriguez asks what for, because when I was in Cali, I told them I had that from the Santodomingo Group. Giraldo answers that one thing is one thing and something else is something else [as published], that he had asked Eduardo, meaning Eduardo Mestre, to speak with No. 1, meaning Ernesto Samper. He said fine, but did not want to know anything about it, and passed the matter on to Fernando Botero, who appears on the cassette as the one who would be the No. 1 of the 'greens.' On one of the cassettes that I do not have at this moment, they make a clear reference to the five points that Samper sent as a message with me, and Alberto Giraldo tells Miguel Rodriguez not to ask for more, that the business about the five points seems to him to be very little. I think the most important thing for the Office of Prosecutor General is to identify the persons appearing on the recordings. The conversations speak for themselves. With my statement, you have sufficient proof to demonstrate the veracity of the cassettes."

Question: Tell whether you received threats aimed at making you conceal from the authorities the information you have revealed in these proceedings with the assistance of a semi-official defender requested by you and the presence of an official from the Ministry of Justice.

Answer: "I received insinuations from several persons, from Minister Horacio Serpa, my attorney, Ernesto Amezquita, and DAS Director Ramiro Bejarano. When I expressed my desire to tell the Office of Prosecutor General the truth concerning all of this, they emphasized that first of all, I would derive no benefit from muddying the rest of the persons, that it would be easier to submit to incarceration for all of this and avail myself of legal means to obtain my freedom. In addition, they implied directly that my comfort and the place of my incarceration would depend on how I would conduct myself with the Office of Prosecutor General. I am sure that the National Government needs a scapegoat it can present to public opinion, the image of a person who connected the president with all of these events. However, the prosecutor general and a number of persons from the group of prosecutors are perfectly familiar with my background and a history of honesty in all of my actions. That is why I believe the country must know the truth, that when I make statements concerning President Samper's friendship with the Rodriguez brothers, I am referring to their statements years ago. For example, comments by Gilberto Rodriguez reveal that during Samper's first presidential precandidacy, when the latter was seriously wounded, once able to travel, he was taken to the United States on a plane hired by them. Alberto Giraldo carried the briefcase full of dollars in cash to pay for his care. Likewise, when Pablo Escobar kidnapped Daniel Samper, Ernesto Samper asked them to help his brother and they interceded with the 'capo,' managing to have him freed, moved and settled in Spain. (Four lines are eliminated in order not to complicate the investigation.) At this point in the proceedings, given the fact that the witness has made charges against Ernesto Samper Pizano, Hernando Botero Zea, Fernando Corredor, Juan Manuel Avella and other persons involving acts that could constitute crimes, the witness was placed under oath concerning those charges, in accordance with Article 357 of the Code of Criminal Procedure, following imposition of the contents of Article 172 of the Criminal Code, according to which he swore to tell the truth.

Question: Tell whether you confirm, under oath, the charges you have made in the course of these proceedings against the aforementioned persons.

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Answer: "Under oath, I hereby confirm the charges formulated against the aforementioned persons concerning acts of which I am directly aware and of which I have presented the proper proof."

Question: Tell by what means the insinuations that you consider threatening were made.

Answer: "I spoke with Horacio Serpa in his office at 8:30 on Tuesday night. Ramiro Bejarano visited me at the DAS jail the night of my arrest and stayed until 10:00. I want to make it clear that he asked the guard not to have to sign the register when he came bringing me the message from the president, who recalled him from a trip to Cali that he had undertaken that night. Likewise, Ernesto Amezquita, acting as my defense attorney, repeated the same to me several times on the occasions we have had to speak since my arrest. Yesterday, there was an altercation with the prosecutor and the representative of the Attorney General's Office that was entered into the record, when the Office of Prosecutor General asked me for clarification of a statement in his possession concerning a possible meeting I had with the Rodriguez brothers in Cali."

Question: Tell with whom you traveled to the city of Cali on 4 May 1994 on behalf of Samper Pizano and Botero Zea for the purpose of arranging the financial contribution they would receive from the Cali Cartel for the campaign of which you were treasurer.

Answer: "Alberto Giraldo."

Question: Do you know who ordered the publicity for the presidential campaign of Ernesto Samper Pizano, publicity handled by Mauricio Montejo Salgar and costing 500 million pesos?

Answer: "Mauricio Montejo did the work solely upon orders from Fernando Botero Zea. Of the initial 500 million that reached the campaign, Botero authorized Alberto Giraldo directly to deliver 100 million in cash. I recall this incident because upon delivering the 100 million in cash, Giraldo negotiated an additional 10-percent discount with Montejo for payment in cash, which the latter later charged directly to the campaign."

Question: To whom was the invoice for this work made out?

Answer: "The invoice was initially made out to the Modern Colombia Association, the entity that collected campaign monies, but it was handled directly by Juaon [as published] Manuel Avella, and I do not know the precise details."

Question: Did you receive any money or benefit of any kind for endorsing the check for 40 million pesos that was transferred to your name by the Comercializadora Agropecuaria La Estrella, Ltda. and which mysteriously appeared in your office?

Answer: "None. Not for that purpose or any other have I ever received money or any benefit from the Cali Cartel. I wish to note once again that my work on the campaign was always ad honorem, that I did not earn any salary or figure on any other payroll."

Question: Who witnessed the delivery of the money contributed by the Rodriguez Orejuela brothers to the Samper Pizano campaign by Eduardo Mestre Sarmiento and Alberto Giraldo Florez at your residence?

Answer: "The money was given to me by Eduardo Mestre and his driver in the living room of my house, and I was alone. I took it up to my room and personally distributed it according to the payment plan approved by Botero for the second ballot. Part of that money was delivered at the treasury and part at my house. There are many witnesses at the treasury located at the main campaign headquarters who saw the treasurers come and go with the money, but I had closed those packages, as the persons whose receipts I attached can testify."

Question: Do you know whether Alberto Giraldo Florez and Eduardo Mestre received financial compensation for their work to obtain the contributions from drug trafficking that would be used in past presidential campaigns?

Answer: "I personally am aware of only 10 million pesos that Giraldo handled in the transaction with Montejo."

Question: Who is Manuel Guillermo, one of the persons present at the dwelling where you were captured?

Answer: "Manuel Guillermo is Manuel Guillermo Pinzon Caicedo, son of General Pinzon Caicedo, who was a major in the Army, the brother of Monica Pinzon de Nunez, my friend for 30 years, and married to Claudia Rodriguez, daughter of Gilberto Rodriguez Orejuela. Manuel Guillermo had gone to my home that day to ask me to speak with Fernando Botero to convince him to meet with an emissary from Miguel Rodriguez to handle his surrender to justice."

Question: Do you know whether between Gustavo de Greiff and the Rodriguez Orejuela brothers there is anything to relate concerning the time when the conversations on the so-called narcocassettes were recorded?

Answer: "Yes. On one of my trips to Cali, the Rodriguez brothers commented that through Gustavo de Greiff, they had made great progress on their contribution during the administration of President Gaviria, which contribution was finally rejected by President Gaviria

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and concerning which they hoped to reach an agreement with the next government. The two Rodriguez brothers, Miguel and Gilberto, made that statement to me."

Question: Did you hide the documents that you have submitted during these proceedings?

Answer: "Up until now, my personal safety has depended on those documents. There are two other authenticated copies in the possession of two persons abroad, given to them with the understanding that if something happens to me, the documents are to be published immediately. President Samper, Minister Botero and Minister Serpa are aware of this since I received precise orders that once the campaign was over, the documents were to be burned or disappear."

Question: The purpose of this investigation is to inquire into an alleged crime of illicit enrichment. Tell whether you know who is the author, accomplice or concealer of such a crime.

Answer: "I believe that that check was sent so that it would be recorded and show that I received some money in the name of the campaign, but the only persons benefiting from that money were the candidate and, indirectly, Minister Botero, who was named as the president's minister. I wish to remind you that I received no benefit, since I merely sent the check to the Valle treasury in the belief that the check belonged there. Once this was learned via a phone call from Herrera Barona to my office, during which he said that he had consulted the bank about the funds in the account and that a bank employee had told him there was good movement and that it belonged to a Mr. Salazar, it was deposited in the Valle treasury with the authorization and knowedge of Botero Zea. In the folder in which I list the monies transferred to the various treasuries, this check for 40 million is recorded, along with another check obtained by Botero, using members of the campaign as fronts."

Question: Do you wish to add or clarify anything in these proceedings?

Answer: "Due to the serious nature of my statements, I wish to ask the Prosecutor General's Office to help ensure, not only my own personal safety, but also that of my property, because what we have spoken of in this statement are issues affecting national security. Likewise, I ask the Office of Prosecutor General to study the legal possibility of my release, mainly so that when this investigative process leads to the arrest of other persons, I will be in a place where I will be difficult to find. (Two lines of text were deleted so as not to complicate the investigation.) I wish to tell the Prosecutor General's Office that if they need to clarify some document, or if I can contribute to the investigative process, it would be appropriate for someone to visit me in jail so that I may provide the data they require." This being the sole purpose of these proceedings, the record will be signed by the participants, once each and every one of the parts has been read and approved.

Ecuador

President's State of Nation Address

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[State of the Nation address by President Sixto Duran-Ballen from the National Congress in Quito — live or recorded]

[FBIS Translated Text] Good evening fellow citizens. According to the Constitution, every year on 10 August the president must present his state of the nation report to the National Congress, which is the legally constituted legislative branch, in a special session called for this purpose. Yesterday, however, the Ecuadoran Congress once again did not have the necessary quorum to carry out the event with normalcy and legitimize this fundamental democratic act. Therefore, tonight I comply with my duty by addressing you, the Ecuadoran people, who elected me, to give you a general report on my government actions for the period 1994 to 1995.

During the past 12 months in Ecuador we have lived through momentous episodes of different characteristics that have touched the conscience of society and have resulted in profound changes in the political structure, and in addition have made it necessary to reorganize the National Government's plans and proposals. The characteristics and dimension of the changes make this year a fundamental phase for the country's future. We can say without doubt, that 1995 constitutes one of the most outstanding references of our history. We could say 1995 is the year of the peaceful revolution, the year of silent revolution.

The changes of the past decade have determined a greater interdependence among the members of the international community and an increasing economic opening worldwide, with the participation of large economic blocs. This has reduced the political and economic opportunities for countries that have not joined those schemes.

This scenario, in which our actions evolved, was suddenly altered with the beginning of hostilities at our southeastern border. Our history is marked by multiple border incidents between Ecuador and Peru derived from the inability to delimit and demark what supposedly was previewed in the Rio Protocol. In other words,

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it has been impossible to implement the Protocol in that area.

Starting in January 1995, increasing Peruvian infiltrations in Ecuadoran territory were reported. This clearly showed the intent to change the status quo that prevailed in the area for many years and that had been respected by the two countries.

The strategy used by the national government to deal with the conflict had two essential aspects: The first one was the military aspect, which consisted of the development and implementation of purely defensive operations, which later demonstrated to the international community the unquestionable aggression against our territory. Our defensive operations avoided an immediate escalation of the armed struggle. The second aspect was the diplomatic aspect. It was reduced to the recognition of the existence of the Rio de Janeiro Protocol, but noted its inexecutability in the area of Zamora-Santiago.

This action by my government — we hope — will permit us to find a definitive and worthy solution to the territorial conflict. Given the seriousness of the situation and the huge national concern over the military confrontations, the position assumed by Ecuador allowed for the participation of the guarantor countries in order to find mechanisms that could put an end to the armed struggle and that could lead to positions of negotiation and concerted effort in accordance with the peaceful spirit of our people.

Ecuador's position, which I reaffirm is peaceful yet firm, has always been presented to foreign governments and international organizations. They have recognized Ecuador's pacifist attitude and offered their support for the negotiations directed at reestablishing peace."

Contact with the governments of the guarantor countries has been constant. We have provided the greatest cooperation to the mission of military observers and we have cooperated with the national and foreign media so that they could visit the conflict area to report on the prevailing situation. Their reports were in keeping with our official communiques.

The agreement that was reached following the Montevideo Declaration, establishes the demilitarized area and constitutes a noticeable progress in the negotiations that can allow us to be hopeful in finding a just, peaceful, and definitive solution that can recognize our rights in the Amazon region.

The experiences we had during the conflict will help us draft future measures and actions that may be implemented by our country. The nation was able to respond with maturity and courage to this threat.

Our Armed forces fully accomplished their mission for their people. Thanks to their dedication and professionalism, our honor and dignity as a nation remained untouched. It was clear that national unity is essential in facing and overcoming national challenges, and that a strong and healthy economy is a vital condition for successfully meeting what the defense of the nation's sovereignty required then and requires now. The spirit that encouraged our country during the conflict must now help us find definitive and lasting peace.

Between August of 1994 and August of 1995, the government continued its exchange, monetary, and tax policies set forth to consolidate the stabilization efforts that started at the very beginning of my administration, which in turn were directed at promoting an atmosphere of increased confidence for investment. In so doing, said policy seeks to strengthen the foundations of sustained and genuine growth of the economy and the resulting job opportunities. The exchange stability system, adopted along with strict controls and effective coordination between tax and monetary policies, put an end to the inflation escalate, which disproportionately burdened the less fortunate sectors of the population. It is an undeniable fact that the significant reduction in inflation, which was made possible during this administration, favors mainly those whose income was continuously weakened by the uncontrolled depletion of their purchasing power. In July of this year, the inflation rate was recorded at 0.67 percent. This means that during the first seven months of 1995, the accumulated inflation rate is 13.2 percent. This is less than the 15.9 percent of the previous period.

If you recall, in 1995 we received.... [corrects himself] If you recall, in 1992 we had an inflation rate close to 60 percent. Unfortunately, the armed conflict had a strong effect on our economic indicators, particularly financial market indicators. The clear and precise response by the economic authorities managed to control the monetary and exchange situation with the least possible social and economic cost. The conditions of financial markets gave gone back to normal now, and interest rates have been reduced to levels existing before the conflict. If this trend continues and if inflation continues to drop, the proper conditions for greater economic growth will be consolidated, therefore, the macroeconomic process has been consistent with the government's goals. In this context, we have made the efforts necessary to close the fiscal gap that came with the armed conflict. This effort will be complemented by the laws you, ladies and gentlemen legislators, recently approved and will soon send to me for revision.

I expect to close 1995 with the public accounts nearly balanced.

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The efforts toward modernization have met certain difficulties, given the lack of a proper legal setting to implement reforms in important sectors such as telecommunications and energy. In the first case, it must be said that Congress approved recently the reforms of the Telecommunications Law. The administration will immediately implement the necessary measures to modernize the system, counting on investments from the private sector. It is essential to improve the quality of service. In the energy sector, it is also necessary to issue a new law.

My administration has extensively studied the issue of social security. The program, which includes the proposal for social security reforms, was developed from July 1994 to January 1995. Obviously, the profound changes the sector requires should originate from a constitutional reform that does not currently exist.

The privatization of Ecuatoriana de Aviacion is being carried out. In March, local and foreign investors were called on to participate in the process, which will conclude with a special stock exchange session in which 50.1 percent of total shares will be transferred, turning the existing company into a stock company. Of course, it was necessary beforehand to pay the company's debts; that is, obligations that had accumulated due poor administration in the past. CONAM [National Commission for the Modernization of the State] has defined the country's future airport policies, is creating jointly with the Civil Aviation Board the structure for the joint companies that will run the airports, and will begin the construction of [words indistinct] international airports with the support of a private initiative.

My administration gives much importance to foreign trade as an important means to foster national development within the context of a planned economic policy based on the elimination of restrictions and obstacles that hinder trade. [Words indistinct] to abandon projectionist policies in addition to promoting exports by increasing the number of products to be exported and diversifying the markets as much as possible. This forces the country to make a concerted effort between the productive, labor, political, academic, governmental, and other sectors to ensure an effective and competitive entry into the international economy.

It is true that with these priorities and the orientation that has been taken, my administration has concluded the most difficult negotiation process, the most difficult with regard to foreign trade and of enormous importance to our future trade relations.

Ecuador's entry to GATT, which the World Commerce Organization announced on 31 June 1995, will allow us to improve our commercial exchange in a more [word indistinct] and open legal framework. I want to say this is a historic achievement, because [words indistinct] and its implementation will contribute to the betterment of our economy and increase our trade, investments, and jobs.

We have also advanced in the consolidation of [words indistinct] customs union [word indistinct] after the Andean Group has been operating for 25 years. It is appropriate to reiterate that the opening of markets and free trade, which the government has insisted on furthering, is not the purpose but, rather, the means to obtain investment, more investment, the investment the country requires to have more jobs and, thus, to further economic development and social advancement.

This is a broad description of the primary elements of the economic policy the government has adopted and furthered during the past 12 months. The seriousness with which we have handled the public finances, our responsibility, and outlook of the future have allowed us to undertake and carry out public works and to strengthen social programs. In contracting works and furthering social tasks, we have always acted with absolute seriousness.

The contributions of the agriculture sector have been fundamental in furthering our macroeconomic policy. Regarding a fundamental government objective, such as the control of inflation, the Agriculture and Livestock Ministry has contributed [words indistinct] to the marketing processes, the promotion of production, and the liberalization of the markets, all of which have allowed prices to be determined by [words indistinct] and demand. We have managed to stabilize the prices of basic agricultural products with such actions.

During the past three years of my government, the Energy and Mines Ministry has made the largest effort to develop and guarantee national and foreign investments in the hydrocarbon, electricity, and mining sectors, to protect the country's interests, in addition to an effective environmental conservation program. We must acknowledge to our regret, however, that all of this has taken place under five ministers, but, rather, by following one single policy.

We have been able to successfully carry out the seventh and eighth rounds of public bids with a view to increasing foreign investments in the energy sector. Parallel to this, we are working to develop new [words indistinct] and to increase reserves without neglecting programs directed at improving the management, maintenance, and expansion of the country's petroleum industry. The expansion of the trans-Ecuadoran oil pipeline, a project which my administration expects to complete, is of major significance in this overall strategy. Likewise,

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I would like to spotlight the beginning of works to tap into natural gas deposits in the Gulf of Guayaquil.

Regarding highway construction projects by the Public Works Ministry, I am tremendously delighted to announce that the program we had established at the start of my administration is in full swing. The National Highways Plan, which the government is carrying out throughout the country, includes, among other points, the basic north-south highway. First, it also includes the Pacific highway running from Mataje all the way to Alamor; that is, border to border. Second, it includes the completion and paving of the Pan-American Highway and third, the rebuilding of access roads leading to the Pacific highway. Our National Highways Plan is also constructing and planning to build several major side roads that will serve to join the three highways previously mentioned. The entire program, which has already been meticulously explained in a report I presented some time ago, entails the construction of 2,572 km of highways and more than 3,037 linear meters of bridges.

Exactly one year ago today we were speaking about our efforts to outline and negotiate the funding required to undertake this same National Highways Plan. At this time, I am pleased to point out that this plan is a reality in full execution, funded through international and domestic loans, funds received from international organizations, long-term loans from friendly neighbors, and contributions from the national budget.

We should keep in mind, my fellow countrymen, when the country's first paved highway program was first launched way back in 1953, up until 1992 — that is, practically more than four decades — more than 6,040 km of highways were built in our country during that period. In just four years, this administration has completed nearly 2582 km of highways, which represents practically one-third of the country's entire existent highway structure. [words indistinct]. The completion of public works projects has also been carried out through regional development organizations which, while being solely responsible for the execution of several basic development projects, also received funding from the state. In this respect, we could point to specific projects such as the Daule - Peripa river crossing, and [word indistinct], supporting projects related to La Esperanza Dam, and the Manabi water system. With respect to this last project, we recently signed a protocol with the Japanese Government that includes a $125 million credit agreement.

My fellow countrymen, those projects which are now in full execution can be described as being of major importance to the country and of great national significance, were rescheduled on several occasions and caused tremendous economic loses to the country. On the other hand, my administration decided to take on the country's development challenge without hesitating.

With the creation in 1992 of the Ministry of Urban Development and Housing (MINUVI), we have been able to strengthen the housing construction system and reorganization projects. The gradual transfer of the housing construction program to the private sector can de described as a major accomplishment. This program has been launched with the creation of an innovative housing refinancing plan, completely departing from the previously used mechanism of direct management housing construction. This decision is further complemented with the establishment of a direct housing subsidy in favor of that segment of the population where family income does not allow access to regular mortgage loans. To this end, all preliminary assessments have been completed and required guidelines have been prepared. The system, which is expected to enter into effect in 1996, will surely revolutionize the country's low income housing construction program.

If we consider the national government's accomplishments, including the 4008 housing units built through the mutual system since August 1992 to date, we have been able to build nearly 65,780 housing units. The completion of two fundamental and major projects of the short term system are worthy of special mention in this ministry's overall performance. One of these projects is related to the El Oro system, which will provide housing to Machala, Pasaje, El Guabo, Puerto Bolivar, and other minor communities, benefiting nearly 300,000 citizens, and entailed an investment of 33 billion sucres. The other is related to the Esmeralda provisional housing project which is already in operation, and has provided housing to a urban population of 400,000, and an additional 150,000 temporary residents due to the features of the area. This project entailed an investment amounting to 33 billion sucres. These projects, as well as many others, were have been in execution for more than a decade, very slowly, and which we were finally able to complete.

In the task of alleviating poverty, social backwardness, and complementary aspects prevailing in the country, in March 1993 the national government created the Emergency Social Investment Fund, FISE. During its two years of existence, the Fund has financed 3,955 social projects, with the active participation of society, people's groups, and nongovernmental organizations. The completed projects have led to better standards of living in such sensitive areas as education and health care for the country's poor. They have placed vital services at the disposal of communities, such

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as potable water, sewer systems, roadways, bridges, training centers, child care centers, nurseries, and similar works.

In addition, the FISE has promoted the people's organization and participation in productive projects involving subsistence fishing, aquaculture, and different agricultural techniques. Since its inception, the FISE has invested 185 billion sucres in projects that will benefit 1.850 million people of the 22 provinces of the country.

If, in fact, the FISE was conceived to meet the urgent needs of the country's most depressed areas, the amount of the Fund's operations make it the most important effort of social action implemented at any time by the state. This is one of the best programs in the last few years.

The National Institute for the Child and Family, INNFA, is one of the best qualified state institutions to attend to those sectors requiring governn.ent action, in order to access basic services of protection, health, and education. The INNFA, through an effective investment of 39.5 billion sucres, this year expanded coverage through agreements with institutions that execute similar programs, fundamentally using current services. The tasks of nutrition, health, education, and child care promotion have significantly increased the number of recipients.

The National Program to register minors called The Right to Have a Name and Ecuadoran Citizenship is in effect and under way throughout the country. This campaign launched by the first lady of the country is aimed at legally registering over 400,000 Ecuadoran children of less than 12 years of age.

The social tasks being performed by the national government is seeking a rapid diagnosis, pragmatism in the formulation of policies, and effectiveness in their implementation. Along this line, the national government created the National Secretariat of Indian Affairs and Ethnic Minorities [words indistinct] Presidency of the Republic. This year, its first year of operation, this organization coordinated with various state entities the implementation of public and social works mainly aimed at benefiting Indian communities. Under the coordination of this Secretariat, these entities invested 14.5 billion sucres in works administered, planned, and implemented together with the beneficiary populations.

The actions that have been developed under the guidance of the government socio-labor policy grant special consideration to capital and labor, as indispensable and complementary factors of production to achieve social peace promoted by development. We must mention the clear trend toward the reduction of labor conflicts registered in the last few years. In 1992, there were 204 conflicts over collective bargaining agreements and 59 strikes. In 1993, there were 127 conflicts and 33 strikes. In 1994, a marked reduction was registered, with 109 conflicts over collective bargaining agreements and 17 strikes.

Thus far this year, 77 disputes and six strikes have been registered. This year wage increases have been implemented every six months, which as a whole represent an increase of more than 35 percent as opposed to a 13.2-percent inflation.

The recovery of wages initiated during this government has placed the workers' minimum wages in $147 per month according to the latest review in July, which surpasses the $123 figure [words indistinct] of 12 years ago in 1983, and in comparison — it is worth comparing — with the abysmal collapse of wages between 1989 and 1992 when — we may say — wages were hardly $57 in January 1992. These figures are not yet enough, but do confirm that the government's efforts [word indistinct] to recover the Ecuadoreans' quality of life are in the right direction.

The Social Welfare Ministry's work refers to the implementation of social policies contained in the development agenda within the framework of the state's modernization and decentralization process, and through various programs under the social welfare portfolio aimed at improving the population's living conditions, which require the government's and society's support to satisfy the basic needs for its development. Among the programs executed by the Social Welfare Ministry, we must mention the Operation Child Rescue [ORI], which is designed to fight the high rates of malnutrition, morbid mortality, and scarce coverage of preschool education. This year ORI created and equipped 2,300 community centers, which provide services for 100,000 children and generated 12,000 jobs.

Another effective and novel program is the operation of police stations for women, which attempt to eradicate violence against women. In this task, we work jointly with the Government and Justice Ministry and nongovernmental agencies. This state secretariat's social investment for the 1994-95 period amounted to 113 billion sucres, resources which were channeled to the most depressed sectors in our society, such as minors, unprotected mothers, young people, and the elderly.

We must also mention the finances to acquire fire engines and fire equipment for small towns throughout the country financed with a long-term loan from Argentina.

The Education and Culture Ministry's work is based upon the application of policies to modify the current

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educational structure and upon the promotion and generation of teaching jobs through the creation of job lots, which in 1994 amounted to 3,562. It is simply important that the number of teachers allowed to reopen 1,182 schools and the strengthening of 1,200 schools with new teachers.

To complement the scenario of the government's actions in the educational sector, we created 288 schools in marginal and rural areas. The investment on new school infrastructure and the repairs to existing infrastructure amount to 35 billion sucres. In addition, 12 billion were allocated for recreational and sports infrastructure, and the equivalent to $10 million for laboratories and furniture.

Regarding quality, the curricular reform is noteworthy, which is a fundamental strategy to improve the quality of basic education. We have designed, published, and disseminated the initial proposal of this reform, a plan which is complemented by the training of 18,000 teachers.

Based upon the principles of equity, solidarity, and excellence, the national government has, since August 1992, proposed a profound transformation of health administration in our country, and has formulated the new health policy, which includes the real creation of the national health care system.

It was essential to analyze current plans, strengthen ongoing programs, and redesign future projects in order to make them adequate for the proposed scenario. Another project within this reform is the National Emergency Network [red nacional de emergencia], complemented with the network of super drug stores, stocked with low-cost generic medicines. The intention is to offer broad service coverage, while at the same time, increasing the list of generic medicines available in the market.

Short-term measures within the transformation process of our health system and hospital rehabilitation, together with intersectorial agreements and the rationalization of technical and human resources, will allow renewal and the efficient use of existing infrastructure and the completion of works that are in progress.

Thirty health centers, including hospitals and clinics, will join the national network in the next few months. These include the hospitals in Riobamba and (Dechone), which will come into service during 1996. In addition, work is being completed in the (Facbase), which includes improvements in health and hospital infrastructures throughout the country. Twenty-four health units all over the country have been built or remodeled and the hospital equipment acquisition plan is being punctually complied with.

Public health services in our country regrettably has had to face very serious labor problems. Demands, both by workers as well as professionals, have reached absurd proportions, such as paralyzing administrative work in the Health Ministry and regrettably also services in clinics and hospitals.

The national government considers tourism a priority factor for the country's overall development, as confirmed when we granted special privileges to the sector and given it the rank of state secretariat, specialized and entrusted with dictating policies that encourage tourist activities in Ecuador. We find it essential that a program of incentives be designed to boister investment in the sector, which is the only way to develop the tourist industry in our country, which will be included in the tourist law, which we will send you, honorable legislators, in the next few weeks.

In this last year of my administration, I will continue with the marked emphasis that I have placed on the in-depth reform of the Ecuadoran political system and thus face one of the nonpostponable historic challenges we have as a nation. Just as I have repeatedly mentioned, the Republic's inadequate political structure prevents us from acting with efficiency and respond with the rhythm and rigor of increasing domestic and foreign challenges. We are overwhelmed with minor political interests and profoundly divided due to fragmented political power. Over the last few decades we have lost sight the great national goals and we have squandered our energy in useless whining that has increased the incredulousness in institutions and increased a lack of prestige in public work.

From the start of my mandate, I made the irrevocable decision to advance on the difficult path of political reform, aware of the enormous difficulties the process would entail. Once I established, after repeated attempts at reforms, that our institutions had lost their capacity to correct their weakness and decline on their own, I decided to call a referendum, despite the initial opposition by the Supreme Electoral Tribunal and the Court of Constitutional Guarantees. The purpose was to allow the Ecuadoran citizen, the supreme authority, to take into his own hands the necessary reforms that institutions had rejected.

On 28 August 1994, in a process of singular importance to our republican life, the Ecuadoran people, you, accepted my proposal en masse. You spoke out unequivocally on fundamental aspects of our political system that included a (?very special) mandate to the Congress to

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handle in a serious and dedicated manner a total overhaul of the current Constitution. The amendments, such as the participation by independents as candidates for elective office, were accepted. The amendment not allowing legislators handle public funds was accepted. The amendments on re-election and dual citizenship were accepted, as was the amendment allowing the approval of the general state budget in an overall manner. These were the only new constitutional provisions until now. Heeding immediately the order you, people of Ecuador, had given through that referendum, I created a Constitutional Amendments Commission that comprised distinguished Ecuadoran (?personalities) from all sectors who yearned, in unison with the demand by the whole country, for structural changes in the existing system and [word indistinct] a bill that was indeed drafted following intense work and that was submitted to the National Congress on (?4) October of last year. Unfortunately, not even the few amendments that the legislature accepted have entered into force to date.

Since it has been impossible to get the National Congress to make the in-depth reforms, and after almost seven months since the expiration of the deadline that the country gave you, that the country gave the legislature, to process the reforms, I have decided to call a second referendum on 19 November. I will pose 10 questions regarding the fundamental system that are to constitute the decalogue of change. Once again you, the people of Ecuador, with your vote will put an end to a long and tortuous process that has sown skepticism in the country. You will unequivocally speak out on essential aspects, such as the [word indistinct] organization of the judicial function, aspects regarding social security, strikes in institutions that provide basic public services, and others.

No political calculation of any sort has inspired this and all my proposals for change. Instead, they are inspired in an authentic interest to push forward and strengthen our country in order to promote its development. Because the country is aware of this healthy purpose, I am certain the referendum will once again be a singular success that will allow us to advance in the difficult search for governability and the elimination of corruption. Corruption is an ethical and political problem that must be attacked from the root, that is, in the institutional and educational systems. For that reason, in addition to working intensely to detect and punish cases of corruption, we must reform our political system, and, most of all, the judicial function that does not fully guarantee the enforcement of authority. At the same time, I will promote the approval of a decentralization law that redistributes revenues and responsibilities based on technical planning criteria that guarantee the efficacy of the benefits of provincial agreements and regional organisms.

Currently, the government, with the [word indistinct) decentralization commission, is working hard to prepare a bill that will be the guide [words indistinct] of the United Nations. In a few weeks, we will present the aforementioned project to an ample national debate that will take place shortly thereafter. This will allow us to definitely terminate the decentralization [words indistinct.] The national government [words indistinct] its part of the responsibility. [words indistinct] the change of the government structure [words indistinct].

Fellow citizens: I have given you an objective vision of my government's administration. This was a longer report, but I had to abbreviate it for this presentation tonight. I want to recall that you elected me because of my message of hope and my reform promises. After three years [words indistinct] I have to say that the country, our country, is advancing on the right path. However, we still need to strengthen and complement the changes we have started. [words indistinct] in the task to build [words indistinct], a new, big, growing, prosperous, active nation that can offer a future of dignity and well-being to its children.

Fellow citizens, Mr. Legislators: I once again convoke you so that, together, we can assume this [word indistinct] historic responsibility. Let us work together for the country and the future generations. What we are doing, what we are doing [repeats himself] is in foresight of the future of our children, our future generations. This is something that will benefit future leaders [words indistinct]. Let us pray that God will help us in this endeavor. Thank you, fellow citizens.

Venezuela

Exports To Determine Exchange Adjustment

PA1308020995 Caracas EL UNIVERSAL in Spanish 7 Aug 95 p 2-1

[Report by Mariela Leon]

[FBIS Translated Text] The government is worried about the growth figures that imports have shown over the last few months. A "decision" regarding currency exchange rates will depend on future behavior.

Werner Corrales, who is very knowledgeable in official circle matters and in the various forms of economic administration, pointed out the slight increase in imports during April and May.

Corrales is aware of the doubts voiced by Miguel Rodriguez Mendoza [former foreign trade minister and

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Central Bank manager], Pedro Palma, and Pedro Carmona Estrange about the fluctuation in export figures due to the fixed exchange rate. The development minister and director of the Foreign Trade Institute [ICE] said that specific variables should be studied in a broader fashion, and should also include imports.

He said that the government has its eye on the monthly balance between exports and imports as a valid source of information for any future macroeconomic decision.

Corrales indicated that the decision has to do with the currency exchange rate. "Although it is not my position to say, I should indicate that the government is looking carefully at currency trading. It would be a mistake to only watch exports."

He explained that the possible adjustment of the exchange rate would go into effect, "only if there is a serious deterioration in Venezuela's trade balance. Up to now, nontraditional exports have registered growth, while imports have shown significant increases during the last two months. Be that as it may, this is not something that would lead us into making an immediate decision."

Based on figures from the Central Statistics and Data Processing Office, the ICE head stated that exports registered $1.148 billion for the first quarter of the year, while during the same period of 1994 they reached $853 million. This is a positive balance of $285 million.

Imports, he said, registered $1.931 billion for the first quarter of 1994, and $2.216 billion for 1995. This means an increase of $285 million.

The trade balance experienced a fluctuation in April and May, he noted. Exports went from $775 million in 1994 to $722 million in 1995. This is a $53 million slide. Imports, however, went from $1.465 billion in 1994 to $1.74 billion, which is an increase of $275 million.

In reference to public statements regarding the drop in export profits, he said that the ICE is trying to promote meetings with representatives from that sector, to draw up specific plans for incentives for the sector, which are to be included in the IX Plan for the Nation.

NON OIL FOREIGN TRADE: 1994 and 1995 (Millions of $)

	EXPORTS			IMPORTS			TRADE BALANCE		
	1994	1995	DIFF	1994	1995	DIFF	1994	1995	DIFF
FIRST QUARTER	853	1,148	+ 295	1,931	2,216	+ 286	-1,078	- 1,068	+ 10
APRIL + MAY	775	722	- 55	1,465	1,740	+ 275	- 690	- 1,018	- 328

(source: OCEI)

An Andean Island

Just one week after President Rafael Caldera and his cortege visited Peru for President Fujimori's inauguration, Werner Corrales publicly announced Peru's possibilities and limitations within its Andean surroundings. He said the Venezuelan president tried to be the bearer of good news between Ecuador and Peru, with the intent of normalizing relations between the two countries. This would be of great benefit to the Andean Group.

Regarding the full incorporation of Peru into a free trade agreement under the Andean Pact, however, he recalled the meeting of the Cartagena Agreement Commission in Bogota about one month ago. There were two statements made at that time:

1. Substitute Ruling 353, which gave Peru until 30 June to join the subregion's trade activities, while requiring the other Andean nations to comply with conditions such as the regulation of safeguard clauses, revision of merchandise origin regulations, and elimination of customs requirements for relations within the region.

2. The ministers agreed to back ongoing efforts directed at finding a definitive solution to trade relations, particularly in bordering areas.

The ICE president highlighted the fact that the new decision extends the deadline for Peru to join the Andean Group. No conflicting requirements were established.

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This means that Peru must reach its decision whether the other Andean nations have complied with the above conditions or not.

It would seem that Peru has plenty of benefits and few obligations...

The Venezuelan delegation finished its draft of the new ruling. In doing so, it has also helped to solve certain differences that came with Ruling 353.

Now, Peru argues the following:

— There are significant differences regarding the concept of tariffs. The four Andean nations have the common foreign tariff and Peru has a different kind of tariff. Peru preferred a level tariff. Bolivia, Colombia, Ecuador and Venezuela have a system which recognizes that products with a higher added value should pay a higher tariff. Peru says that is just a carry over from the days of protectionism.

These are conceptual matters that were also discussed by the EU.

— They also say that our nations have made poor progress. In Peru there is the general trend, both among the people and in the economic indicators, that they are entering a new phase in their development process. The people believe in the economic policy and one might think that Peru could do without the Andean Pact. From our viewpoint, this is wrong. Peru has plenty to gain my fully incorporating into the subregion.

Outside Understanding

Foreign investors repeatedly mention the presence of obstacles that prevent them from placing heir capitals on our domestic market. Specifically speaking, a delegation of German legislators expressed their interest and willingness in increasing economic and commercial ties with Venezuela, as long at there is political, legal, and currency exchange security. Is the government ready to provide such security?

It is not the same to talk about a country with a stable economy than it is to talk about a country that has just come out of an economic crisis like the Venezuelan crisis, in which certain emergency measures had to be taken. We have said at each and every forum at which we have appeared that there are no cases of expropriation or limitations to the repatriation of dividends or capital. When one demonstrates such things, people regain confidence.

In Germany's case, Corrales pointed out that people always ask about Venezuela's foreign debt with Germany and how we, having such high foreign reserves, have not kept up with our obligations. In light of this, he said, we must do the following:

— Pay our overdue debt to prevent other problems with insurance firms. Among Venezuela's financing plans is the emission of notes, with whose funds it expects to pay off its overdue foreign debt obligations, particularly the bilateral or Paris Group debt.

— Establish regulatory parameters regarding the privatization of the mining and energy production sectors.

— Strengthen small and medium industry. Besides the Germans, the French and Italians are eager for investment and joint venture opportunities in these areas.

Weathering Bills

Corrales announced a new proposal of the Development Ministry to refinance the debts of the small- and medium-size industrial sector. The total debt amounts to 27 billion bolivares, out of which 9 or 10 billion are with the private banking sector and the rest with state-owned and intervened banks. He recalled that two decrees — issued in September and January — established the norms for the refinancing of this debt. Those two decrees were braced on the suspension of guarantees and must now be modified because the guarantees have been reinstated. The debt with the private banking sector has to be regulated in a totally different manner than the ones with state-owned and intervened banks. The latter will be regulated in a new decree that is to be based on the Financial Emergency Law and "we are working with Fogade [Deposit Guarantee and Banking Protection Fund] and the Bank Superintendency to this end," Corrales asserted.

Stainable Steel?

Corrales denied that currency exchange control is the main cause of the commercial "conflicts" with Colombia, however, he said this does not mean that he is unaware of the effects of the bolivar's double parity and the possibilities afforded by the nontraditional exports.

Focusing on Venezuela's steel industry problem and Colombia's attempts to implement the safeguard clause, he manifested: "Obviously, Venezuela has competitive advantages in the steel industry sector due to its modern technology and the quality of its products." We must note, however, that there has been an upsurge in the construction sector in Colombia and that is why it has had to resort to its national production, he added. It is not true that we have been cut out by Colombian producers and this has been more than proven in studies made both in Colombia and Venezuela, the official asserted.

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However, this situation could be resolved using the complementary path. This alternative was already proposed at a meeting with Colombian Economic Development Minister Rodrigo Marin, the presidents of Sidor [Orinoco Iron and Steel Works] and Sivensa [expansion unknown], as well as representatives of the Colombian steel industry, which was held in Bogota three weeks ago. At this meeting, Corrales revealed, big advancements were made in furthering a cooperation program between private firms in both countries to solve the problem.

Corrales also underscored the importance of the Andean Group's presidential summit, which will be held in Quito in September, to strengthen the group's credibility.

Regarding hemispheric integration, he said it was decided that the Andean countries would further different programs to reach integration and not that the countries would adhere — one by one — to NAFTA [North American Free Trade Agreement] to reach this objective. This decision forces us to place a strong accent on strengthening our integration mechanisms. A weak Andean Pact places us at a disadvantage in regards to hemispheric integration, Mercosur, and also in our commercial relations with the European Union.

Corrales said he had personally detected concern — in an unofficial manner — for the Andean Pact's bearing in the Peru-Ecuador conflict and when Peru did not join the Group during his visit to Brussels. The resurgence of the subregion must start to be demonstrated at the summit in Quito, he added.

JAC Authorizes Foreign Exchange to Travel Agencies

PA1208184095 Caracas Venezolana de Television Network in Spanish 1550 GMT 8 Aug 95

[From "The News" newscast]

[FBIS Translated Text] The Exchange Administration Board [JAC] has authorized, through Resolution No. 37, which has not been published in the GACETA OFICIAL yet, the granting of foreign exchange to travel agencies so they may contract tourist services abroad.

Regarding the foreign exchange control from July 1994 to mid-July 1995, JAC Coordinator Samuel Wilhelm has said the JAC has authorized foreign exchange to the tune of $1.3 billion for tourist travel; this amount must be added to the dollars granted to international airlines to pay for the tickets travelers acquire in bolivares:

[Begin Wilhelm recording] This means an amount exceeding even historical data, because the historical data was below this amount. We also have to take into consideration other factors; that is, the economic growth of the various periods under comparison, etc., therefore, we believe this figure is too high. [end recording]

Finance Minister on Deficit, Treasury Bill Payments

PA1508012795 Caracas Venezolana de Television Network in Spanish 1550 GMT 11 Aug 95

[Report by Fernando Porte; from "The News" newscast]

[FBIS Translated Text] Finance Minister Luis Raul Matos Azocar has expressed, after being summoned by the Senate's Finance Committee, that the state treasury is up to date on treasury bill payments. He added the Finance Ministry has cut public spending by nearly 3 billion bolivares.

In addition, the finance minister confirmed the cash flow deficit of his portfolio is 204 billion bolivares and not 400 billion bolivares, as has been said.

Matos Azocar explained this figure was projected to 31 December 1995 and that it includes a carryover from 1994. He also remarked that there are enough resources in the 1996 budget to fulfill the foreign debts commitments. He specified that Venezuela has been dragging debt payments since 1994, but that current portfolio has funds to cancel these commitments.

Additionally, Matos Azocar rejected the version of the reduction of our reserves, explaining that Venezuela has 10 billion bolivares [as heard] in reserves.

[Begin Matos Azocar recording] For a country like Venezuela, this is practically twice the amount considered normal for any other country. [end recording]

To sum up, Matos Azocar said that being up to date on treasury bill payments is beneficial to the country because it helps to keep both internal and external credits open.

Development Minister Denies Sabotaging Pact

PA1208010695 Caracas EL UNIVERSAL in Spanish 5 Aug 95 p 2-1

[Report by Luis Manuel Escalante]

[FBIS Translated Text] Overcoming inflation does not mean maintaining prices frozen continuously since this would only lead to more distortions such as inventory shortages, improper distribution, as well as other aberrations. The previous explanation was made by Development Minister Werner Corrales in response to statements accusing him of being the enemy of the anti-inflation pact because of his decision to authorize price adjustments.

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In this respect, the development minister reiterated that the price adjustments had been anticipated and accepted by the parties who decided to sign the 29 May letter of intent at Miraflores Presidential Palace.

In addition, the decision to implement price adjustments was based on an estimate of every duly audited cost structure with the goal of preventing distortions that may arise on account of having maintained prices frozen for too long a period.

With respect to pasteurized milk, just to mention an example, from December 1993 to July 1995 the price of raw materials has increased from 22.88 bolivares per liter of unprocessed milk (raw material) to 53.24. During the same time period, the cost of milk containers increased from 6,24 bolivares, up to 11.18 bolivares, and other price fluctuations where duly audited invoices have been presented entail increases from 13.12 to 23.20 bolivares. To this we may add that margins fixed for the industrial sector have increased from 2.11 to 4.63, while commercial sector margins have increased from 8.43 to 18.46 bolivares.

All of this indicates that the price structure for a liter of pasteurized milk cost 52.78 bolivares in December 1993 when sale price to the public was 56 bolivares while in July 1995, prior to corrective measures being adopted, the price structure stood at 16.63. In other words, the cost to produce, and sell one liter of pasterized milk to the public at the retail level was 90 bolivares, 26.63 bolivares less (23 percent).

The price was adjusted to 110, but 5 percent shortfall remains despite the drop in raw materials, leading to further respective adjustments until prices go over the threshold of profit to prevent these products from disappearing.

Other seven groups of products face a similar situation, according to Werner Corrales, who insisted his office made the decision based on technical studies and that it is in line with sound economic principles.

Argument

Corrales began his explanation by noting that for the past five months food industry businessmen have been asking the Development Ministry to review eight food groups that have been under regulation. The prices of some of them have not changed since mid 1994, whereas their production costs had been experiencing noticeable increases. In late July, some of these products had become scarce in the market, whereas others were beginning to disappear from the shelves.

Since we started the talks on the anti-inflation pact with workers, businessmen, and communities in early April, the topic of the prices that "have fallen behind" was of utmost importance in the discussions. The agreement reached on the matter, which the sides accepted without exception, is reflected verbatim and unequivocally in the three specific sections of the document signed by labor, community, and government representatives on 29 May. The sixth paragraph of the Declaration of Intent, which calls for price stabilization and defines the period of stabilization. Section 4.1 spells out for businessmen a conduct of moderation on price adjustments. To conclude, in Section 2.10, which all the participants made contingent upon compliance with the aforementioned sections, the government pledges to begin the adjustment on the price shortfalls during the stabilization period.

The agreements implemented in the food industry sector and the drop in the inflation rate registered during the stabilization period that went from June to July show a significant progress, based, among other things, in compliance on the part of this sector of the obligations mentioned in paragraphs "a" and "b" mentioned earlier.

To have reference prices, the development ministry requested and obtained from representative producers their audited cost structures, which serve to identify the composition of the production unit cost, the producers' standard profit margins, and the market profit margins at the retailer's level. In sum, the analysis of each product is based on its cost structure and consists of four steps.

A. Defining the value of and calibrating the basic structure of each product, which includes preparing a cost sheet that systematically reproduces the producer's structure, identifying the main raw material and one or two additional basic input items (such as containers or labor), adding the rest of the direct values, and marking profit margins and indirect taxes; preparing a revised version of the previous sheet and incorporating into it corrections to the audited structure handed in by the producer, according to the ministry's analysts, to make this sheet more representative of the producers' group and to correct computation or market assessment errors that may have creeped into the information received from each enterprise. Calibration is the reproduction of the structure price for the entire historic analysis period.

B. Comparing the structure price with the sales price to the public [PVP — precio de venta al publico] for the period of historic analysis.

C. Outlining several hypotheses of the inflation expected for the projection period, July to December 1995, for raw materials, salaries, etc.; that is, the variables required to project the price structure in that period. This exercise includes the most relevant outside considerations (government offices, Central Bank of Venezuela,

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etc.); in other words, projections of the government's economic plans, the official policy on parity, exchange system, salary adjustments, predictions and/or settings of agricultural products prices, etc.

D. Drafting a proposal in the form of a PVP schedule for the next six months and based on the structure price projection, which takes into consideration the application of policies to correct any PVP variations away from the price structure observed in the past. The PVP proposal thus constructed served as the basis for the "overdue" price adjustments decided by the development ministry.

The Pact

The promotion of the agreement was an arduous effort, whose true actors believed in the need for a consensus and devoted themselves to the initiative sincerely and without a double agenda, so to speak. For this reason, I do not think any of those who really drafted the pledge can accuse me or suppose that any of my actions intends to sabotage the "pact."

Corrales said: "My basic duty is toward the community. I owe myself to it and to it I devote my knowledge and work, just as other Venezuelans have done, to whose enormous effort and devotion I added my own modest effort and devotion in the construction of the anti-inflation pact. This pact was not conceived as a populist pact in which the government would make to each labor, management, or community group promises that could not be made good, such as the 'permanent price freezing' in a macroeconomics inflation context.

We conceive the commitment we share with community, labor, and management leaders who participated in the "pact" as an instrument of participation in the civil society, an instrument which would serve the country to define, agree on, and provide social support for an economic policy aimed at lowering inflation, strengthen the productive system, and restore jobs.

For this reason, within the limitations of my competence and in the framework of the anti-inflation commitment, my actions as development minister have intended to remove the true causes of inflation, preserve and strengthen the production and job capability, and watch for and demand compliance with the decisions we made as part of the above pact, including those referring to prices."

Minister: Dismantling of Price Controls 'Under Way'

PA1408225395 Caracas Venezolana de Television Network in Spanish 1550 GMT 11 Aug 95

[From "The News" newscast]

[FBIS Translated Text] The process to dismantle the price controls will be initiated in the next few months. According to the minister of coordination and planning, this measure does not involve inflation.

[Begin Corrales, coordination and planning minister, recording] The history of the last 30 or 35 years in Venezuela has been to generate expectations among the population that inflation will be resolved through a policy of price control. That is absolutely false. And I am not holding anything back — I am neither a politician nor am I waging a political campaign — when I tell the population, as a technician, that the causes of inflation lie in macroeconomics phenomena and low productivity. This is what we must concentrate on. [end recording]

According to the minister of development, the price hikes are inevitable considering that the price of inputs have increased by 70 percent. The development minister stated that if the cost paid by the consumer is frozen, this would bring about a shortage of supplies.

Werner Corrales added that the transition process to dismantle controls is already under way, and he said he will soon meet with the industrial sector to establish the schedules.

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